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How Moscow
sees the
world, Page 24

World news

Business summary

4 Soviet diplomats kidnapped in Beirut

Four Soviet diplomats were kidnapped at gunpoint in the Moslem-controlled sector of west Beirut, according to Lebanese police and a Moscow militia group contacted by the Soviet embassy. The embassy would not comment on the matter. This was the first time Soviets had been a target in the wave of kidnappings that has driven Westerners out of Beirut since March last year.

There was no immediate explanation about the motive behind the abduction. Syria, Moscow's closest ally in the Middle East, has been having a multi-pronged offensive by left wing militia groups against Moslem fundamentalists entrenched in the northern part of Tripoli. Page 28.

Kinnock switch

British Labour Party leader Neil Kinnock will try today to shift attention away from his probable defeat at the party's annual conference on the reimbursement of the National Union of Mineworkers for strike costs and fines towards a reappraisal of policy on public ownership and employment rights. The conference yesterday defeated a proposal to establish separate black sections. Page 11.

Pollisario expelled

Spain ordered the expulsion of representatives of the Western Sahara Polisario Front in response to an attack by Polisario guerrillas on Spanish ships off Morocco last week. Page 2.

Angola raided

Angola said South African aircraft attacked its forces in the south-eastern province of Cuanavale, killing more than 50 soldiers in an operation in support of South African ground troops helping Angolan rebels.

EEC allowances

EEC allowances for travellers on goods bought duty-paid in a member country go up from today but not for Denmark, Ireland and Greece. Personal shopping allowed goes up by Ecu 70 (\$56) to Ecu 350 and travellers can buy five litres of wine instead of four.

Quebec leader

The Parti Quebecois elected Pierre Marc Johnson to succeed René Lévesque as the new premier of Quebec. Johnson, 39, is currently the province's Justice Minister. Page 4.

French strike

France's Communist-led, CGT union, the country's largest, said it was planning a one-day general strike on October 24 to protest against the Socialist Government's economic policies.

53 Filipinos killed

At least 53 Filipinos were believed to have been killed when Malaysian gunboats and helicopter gunships attacked a remote island in the southern Philippines.

Signoret dies

Suzanne Signoret, the Oscar-winning French actress, died of cancer at her home in Normandy. She was 64.

Managua fever probe

Nicaragua is studying the possibility that the U.S. caused dengue fever and cotton pest outbreaks in the country.

Kashmir fighting

Heavy fighting between Indian and Pakistani troops erupted in the disputed territory of Kashmir.

Mexican relief

British troops have successfully dug out and shored up the telephone and communications centre in earthquake-hit Mexico City.

Indicators point to upturn in U.S.

U.S. ECONOMY appeared to be headed for improved growth as the Commerce Department reported a 0.7 per cent rise last month in the index of leading indicators. Page 4.

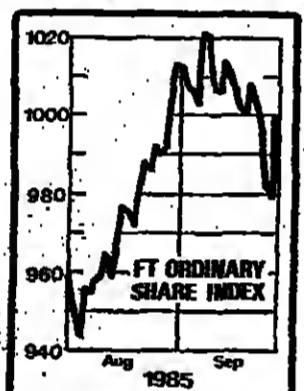
WALL STREET: The Dow Jones industrial average closed up 7.84 at 1,328.63. Page 48.

LONDON: International and blue chip indicators were affected by the sterling exchange rate and the FT Ordinary index gained 9.8 to 1,328.63. Page 48.

TOKYO: Nikkei closed on institutional buying of large capital issues. The Nikkei-Dow market average rose 107.10 to 12,700.11. Page 48.

SYDNEY: The All-Ordinaries hit its third consecutive high fuelled by strong demand for BHP. The index added 6.5 to 987.0. Page 48.

FRANKFURT rose to its eighth record level for September as foreign demand pushed the Commerzbank index 24.3 higher to 1,353.7. Page 48.



Reagan calls allies into talks before Gorbachev summit

By REGINALD DALE, U.S. EDITOR, IN WASHINGTON

PRESIDENT RONALD REAGAN has invited his leading Western allies to an unusual seven-nation summit in New York on October 24, less than a month before his Geneva meeting with Mr Mikhail Gorbachev, the Soviet leader.

The White House said that Mr Reagan wanted to discuss military, economic and political issues with his allies in advance of his talks with Mr Gorbachev, his first with a Soviet leader.

The seven participants at the New York meeting would be those attending the regular annual Western economic summit: the leaders of the U.S., Canada, Japan, West Germany, France, Britain and Italy. The last formal summit was held in Bonn in May, with the next due next summer in Japan.

Mr Reagan was already due to be in New York on October 23 and 24 to deliver an address to the United Nations, marking its 40th anniversary. A number of other Western leaders had been expected to attend a special commemorative session of the General Assembly at that time, although some of them, including Mrs Margaret Thatcher, the British Prime Minister, and President Fran-

çois Mitterrand of France, had not made their final plans known.

The Bonn Government said yesterday that Mr Reagan's aim in calling the meeting was to draw his allies into preparations for the Geneva summit meeting with Mr Gorbachev, which is scheduled for November 19 and 20.

The U.S. and the Soviet Union have made clear that they regard arms control to be the dominant topic for the summit, with Moscow pressing Mr Reagan to drop, or scale back, his star wars space defence programme, in exchange for Soviet readiness to discuss deep cuts in offensive strategic missiles.

Bonn said that Washington had sent the West German Government a letter outlining the latest Soviet arms control proposals, which were formally tabled at the Geneva arms control talks with Mr Reagan at the end of October or the beginning of November.

The view in Washington yesterday was that Mr Reagan was taking a risk if he hoped to line up his summit allies behind a refusal to negotiate star wars limits. At the Bonn summit, M Mitterrand censured

some embarrassment to the U.S. by making France's opposition to star wars, officially known as the Strategic Defence Initiative, only too clear.

The biggest unanswered question in Washington is whether Mr Reagan will in the end agree to restrain his strategic defence plans - an approach that would be strongly opposed by the Pentagon, and which he has so far shown no sign of adopting.

On Sunday, however, Mr George Shultz, the U.S. Secretary of State, appeared to leave the door open for some kind of restraints on testing and development of the proposed new weapons. Mr Shultz, who favours greater flexibility on the issue than the Pentagon, strongly emphasised that restraints could not apply to research, leaving the question of testing and development considerably more vague.

The U.S. decision to call the meeting, the first special session of its kind, was also seen as likely to risk causing complications in the EEC, where the smaller member-

Continued on Page 26
Geneva arms talks, Page 2

U.S. chip makers cite Japanese for 'dumping'

By LOUISE KENOE IN SAN FRANCISCO

THE three largest chip makers in California's Silicon Valley yesterday filed an anti-dumping complaint against their major Japanese competitors in a desperate bid to ensure that the U.S. industry retains its world lead in the semiconductor market.

Advanced Micro Devices, Intel and National Semiconductor claim that the Japanese are selling Eprams (erasable programmable read-only memory) chips in the U.S. at prices below their manufacturing costs.

They asked the International Trade Commission to investigate the Japanese exports in what is the most significant trade action so far by the U.S. semiconductor industry.

Eprams are used in personal computers and similar machines to store operating programs and over the past year the Japanese have in-

creased significantly their share of the U.S. market. At the same time prices have plummeted. A 28K Epram which sold for about \$20 in January can now be bought for as little as \$4.

U.S. manufacturers claim that prices for the device have been "destroyed" by Mr W. J. Sanders, chairman of Advanced Micro Devices, said: "We are going to fight. We are not going to surrender the Epram market (to the Japanese)."

Memory chips represent about 25 per cent of the world semiconductor market, but according to Mr Sanders none of the three major memory types is now profitable for U.S. chipmakers. Many U.S. chipmakers have already pulled out of the dynamic ram market.

U.S. chipmakers cannot afford, however, to leave the memory business altogether, Mr Sanders said.

High-volume production of "commodity" memory chips is the proving ground for new semiconductor production technology, he explained.

"We could regain our profitability sooner if we sacrificed the memory market, but in the long term we would lose. It is a question of 'live now or die later'."

The anti-dumping action on Eprams follows a similar filing by Micron Technology of Boise, Idaho, a smaller memory chipmaker, which charged Japanese companies with "dumping" dynamic rams onto the U.S. market.

In a broader action, the Semiconductor Industry Association has filed action, petitioning President Ronald Reagan to investigate non-tariff trade barriers in Japan.

Ericsson pulls out of U.S. PC market, Page 27

Gatt opens way for talks on trade in services

By WILLIAM DUFFORD IN GENEVA

THE 90 countries belonging to the General Agreement on Tariffs and Trade (GATT) yesterday moved towards a new round of international trade negotiations, which now looks likely to include the controversial issue of trade in services.

The majority hopes that over the next two days of a special session there will be agreement on a timetable for setting up by the end of November a high-level committee to prepare for the start of the trade talks next spring.

Between now and November a group of senior officials would try to come up with recommendations on how the negotiations should handle the most contentious issues such as services, agricultural trade, counterfeit goods and intellectual property rights.

The programme could still be delayed by resistance from some developing countries. Brazil believes that November is too early to set up a preparatory committee and India has not dropped its objection to trade in services being dealt with under the GATT.

Their outspoken criticism reflects the deep unease still felt by a large number of developing countries about the intentions of the U.S. and other industrial countries which have been pushing for the start of new trade talks.

GATT's special session, called at the request of the U.S., got under way only after a last-minute compromise over the wording of its agenda.

U.S. insistence that the agenda had to allow for the discussion of services, such as banking and insurance, in new trade talks met opposition from developing countries which threatened a confrontation, halting the session at its inception.

The U.S. objected initially to compromise wording agreed with the developing countries by the EEC and Japan in weekend consultations.

The wording which removed U.S. objections provides for the GATT to discuss the new round "in the light of the Gatt work programme and priorities for the 1980s as contained in the ministerial declaration of 1982 and of continuing consideration to changes in the trade environment so as to ensure that the Gatt is responsive to these changes."

The reference to the work programme met the wish of the developing countries that the new round should emphasise the many issues in trade in goods on which action has previously been agreed but not implemented.

Continued on Page 26

Botha to offer blacks role in forming policy

By ANTHONY ROBINSON IN PORT ELIZABETH

PRESIDENT P. W. BOTHA last night painted the vision of a South Africa which was "outgrowing" the discriminatory aspects of apartheid and groping towards a kind of federal formula which recognised cultural diversity and guaranteed the rights of minorities.

He said he would make provision for black leaders to join the President's Council, the top-level policy advisory body, but made clear that it would be several months before the Government responded to the council's recent recommendation to scrap influx control and the pass laws.

Mr Botha also praised the role of the army and the police as the guardians of reform but made no reference to recent allegations of torture and abuse of detainees under the state of emergency.

In a wide-ranging speech which demonstrated that the President will not bow to foreign pressure for swift reform, Mr Botha traced the origins of apartheid to his colonial roots and praised the unique role of the National Party. Mr Botha repeatedly emphasised the need for a system which reflected South Africa's own special characteristics and provided guarantees for all minorities, not only the white one. He again rejected any solution on one-man-one-vote lines, describing this

as a formula for dictatorship in other African countries. But in a veiled attack on the right-wing Conservative Party opposition, he condemned those who thought the National Party should stand firm on its original 1948 manifesto.

Speaking on his home ground at the opening of the Cape Congress of the ruling National Party in Port Elizabeth, Mr Botha said that in order to prevent minorities being dominated "it is evident that units will have to be recognised on a geographical and group basis which also has to include the black urban communities who, for constitutional purposes, are recognised as political entities."

In the opaque, coded language of National Party rhetoric this appeared to be a hint at a federal or confederal solution under which "each unit should have autonomy that only affects it while units on the central level should jointly manage matters of mutual concern."

Mr Botha declined to spell out, however, the details of such a federal formula, saying: "It is the conviction of the Government that the structures in which this co-operation takes place must be the result of negotiation with the leaders of all the communities."

Hanson can resume SCM share buying

By TERRY DODSWORTH AND WILLIAM HALL IN NEW YORK

HANSON TRUST, the UK industrial group, yesterday won a major legal round in its battle for control of SCM Corporation, the U.S. conglomerate, when a New York court ruled that it could resume the purchase of SCM shares.

The surprise judgment overturned a lower court ruling that had blocked Hanson from acquiring further stock in SCM Corporation and exercising its voting rights on its 28 per cent stake in the company.

The ruling is a potentially serious setback for SCM, which has been trying to escape from Hanson through a management buyout backed by Merrill Lynch, the Wall Street securities company. In order to conclude the \$600m buyout, SCM needs a two-thirds majority of the voting shares.

Hanson officials declined to comment on the court's decision until they had read the full judgment, but Wall Street analysts believe

that it could well revive what appeared to be a faltering takeover offer. Privately, Hanson officials had admitted that, if the judgment had gone the other way, they would have had little choice but to withdraw.

The UK company has already indicated its willingness to top the 74 share management buyout provided SCM dropped a controversial "lock-up" provision which enables Merrill Lynch to buy two of the company's most valuable assets at a very attractive price if a rival bidder acquires a third of the company.

This provision may make it difficult for Hanson to purchase more SCM shares, because it threatens to trigger the "lock-up" mechanism. Nevertheless, Hanson's indication that it is prepared to pay more than \$74 a share if the "lock-up" provisions are dropped will put shareholders

Continued on Page 26

Three quarters of UK pits fail to meet coal board profit target

By JOHN LLOYD, INDUSTRIAL EDITOR, IN BOURNEMOUTH

ONLY ONE quarter of coal mines in Britain have been producing coal at £39 (\$54) a tonne or less. This is the new target figure set by the state-run National Coal Board (NCB) last week, although a pit will be examined with a view to closure if it cannot improve its results.

Internal figures on the cost structure of the NCB's 198 pits show that only 43 produced coal in August at or below the target figure.

Of these pits, some 35 produce coal at a cost more than twice the target figure and a few are able to produce only at £100 a tonne or more - 2½ times the market price of about £44 a tonne.

These figures, now in the hands of the mining unions, are causing increasing alarm among the union leaders. They will give ammunition both to Mr Neil Kinnock, the Labour Party leader and to Mr Arthur Scargill, President of the National Union of Mineworkers, in their much heralded clash at the Labour Party conference in Bournemouth tomorrow over the NUM motion on reimbursement of funds seized from the union during the pit strike.

Mr Kinnock has argued, and is expected to argue again tomorrow, that only by uniting around the case for coal will the labour movement and wider forces in society be able to safeguard the industry and its workers. Mr Scargill has argued that only by a policy of total and intransigent opposition will jobs be preserved against the NCB's onslaught.

The figures are, however, only a guide to the NCB's problem. First, they cover the month of August when holidays in many pits distort the cost structure by making coal more expensive per tonne because less is produced in the period while overheads remain the same. Secondly, like all colliery results, they are only a snapshot and cannot show whether a pit is moving into profit or into loss.

They do reveal, however, the immensity of the task which the NCB faces in bringing the industry into profitability and the likely severe effect such a project will have in many areas.

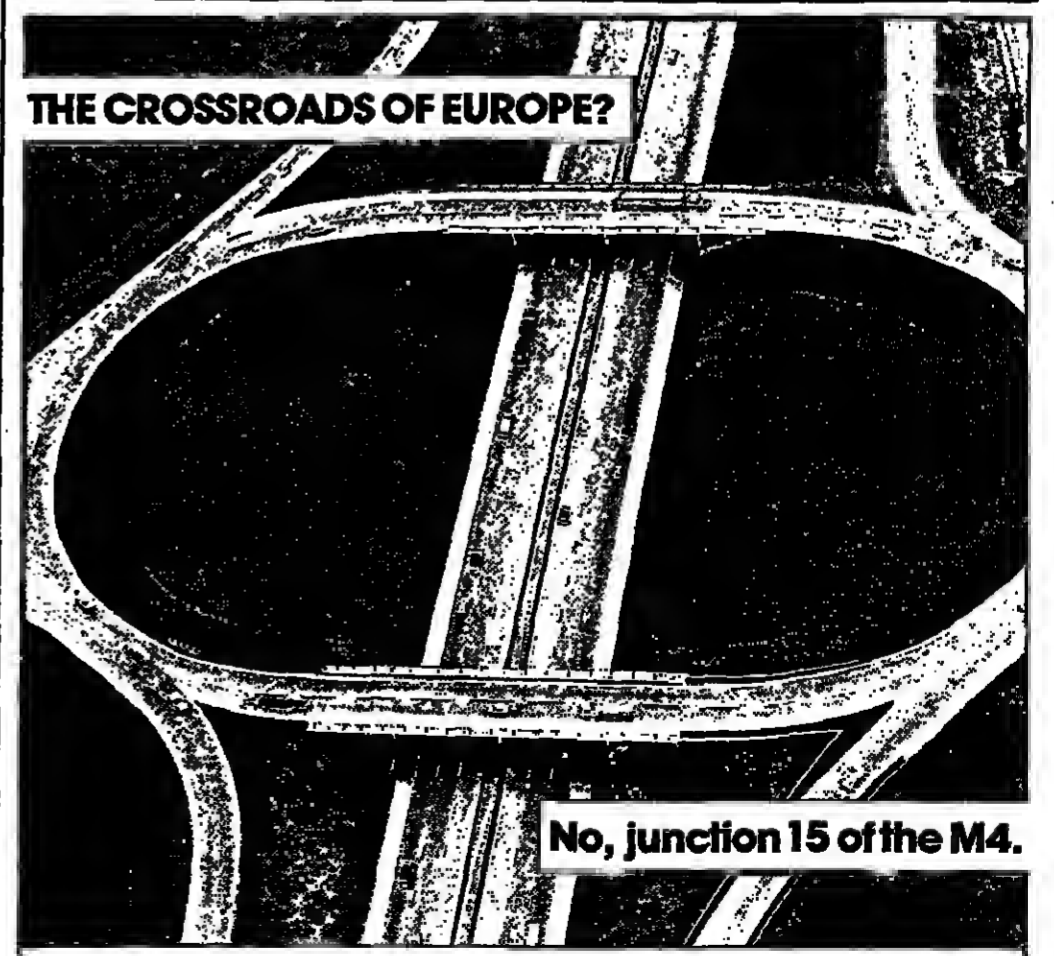
South Wales area, for example, had only two pits producing coal at

£39 a tonne or less with 24 collieries producing at higher costs - often considerably higher - than that. The north-east of England had two on target and 12 above, while the tiny Kent coalfield had the two of its three pits producing coal at costs of well over £100 a tonne.

Mining unions believe that the pressure on manpower from these figures is exacerbated by additional pressure from the European Commission on all its member states to hasten the reduction of uneconomic capacity. A European Coal and Steel Community document presented to the mining unions last week estimated job losses in the coal-producing countries in the EEC - of which the UK is the largest - to be 40,000 in 1985-86.

Mr Peter McNestry, Nacods general secretary, has objected to the dumping of coal in Europe from "third" countries.

Mr Peter McNestry, Nacods general secretary, made the submission at the two-day meeting of the European Coal and Steel Commission meeting in Düsseldorf. He was supported by French unions.



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Yugoslav banks cut interest rates

By Alexander Lohr in Belgrade and David Buchan in London

YUGOSLAV banks are today for the first time in several years, to cut interest rates in a move which officials in Belgrade and at the International Monetary Fund say marks a downward turn in the country's inflation rate, the highest in Europe.

The benchmark interest rate on three-month savings deposits will be reduced from 70 per cent (the level since July 1) to 61 per cent, and other, generally lower, lending and borrowing rates will be reduced, though by lesser amounts.

Yugoslav and IMF officials claim the reduced three-month deposit rate will still be one percentage point ahead of the prevailing inflation rate, or "positive," as the IMF has insisted in its 1985-86 standby programme for Yugoslavia.

Continuously rising interest rates have become unpopular in Yugoslavia. In its latest IMF programme, the Yugoslav Government negotiated a new formula for setting positive real interest rates.

This bases the three-month deposit rate on actual inflation in producer prices in the past three months and on inflation anticipated in the next two months.

Producer prices rose 3.8 per cent in June, 3.5 per cent in July, 5 per cent in August, and, on Government and IMF estimates, are expected to rise nearly 4 per cent in both September and October.

This formula thus measures the prevailing annual inflation rate at 60 per cent, or one point lower than the new deposit interest rate.

Some observers in Yugoslavia believe the Government and Fund may be indulging in wishful thinking in their estimates of future inflation, and that, by today's interest rate cuts, are in effect giving up the unequal struggle to achieve real or positive interest rates.

But officials in Belgrade and Washington insist that, after the changes in price policy in 1984 with first a price freeze and then a price surge, 1985 has seen the "first real ratcheting down" of Yugoslav inflation.

Yugoslav fulfilment of its IMF programme has been a key precondition for foreign creditors to agree to reschedule the country's large debt.

After Greenpeace, Gorbachev's visit may not be plain sailing for the French leader, reports David Housego

Mitterrand sets tricky course in little-known waters

IT WAS, French officials insist, Mr Mikhail Gorbachev, the Soviet leader, who took the initiative in proposing that France be the first Western country he visited in his new role as Secretary General of the Communist Party. The French are under no illusions as to why.

France is the Western state most opposed to the U.S. Strategic Defence Initiative (SDI) and Mr Gorbachev who arrives in Paris tomorrow may want to exploit that difference to sow further discord in the Atlantic alliance. He may also use his visit to try to woo Western public opinion with a new image of the Soviet Union as an "honourable and credible partner" on the international stage.

His major opportunity for doing this—and for trying to convince the West that the Soviet Union is serious about its proposal for deep cuts in strategic weapons—will be the Press conference he is scheduled to give on Friday. If it is confirmed, it will be the first Press conference that any Soviet leader has given inside or outside the Soviet Union since the time of Khrushchev.

Before the Greenpeace affair this blatant public relations exercise held no worries for President François Mitterrand.

as he also had his own irons in the fire. Six months in advance of a general election, M Gorbachev's visit was seen as a useful way of reinforcing the President's domestic position by presenting him in a world role.

It was an opportunity as well of strengthening the national consensus over foreign policy as symbolised by the President because the Opposition has long been pressing the government to resume the dialogue with the Soviet Union. In many ways, the most important factor of all was that the visit gave M Mitterrand the chance of emphasising his "independence" towards the Soviet Union by tapping the table over Russia's human rights record.

It is a much weakened French President who will greet the Soviet leader. M Mitterrand is still suspected of having known about the sinking of the Greenpeace boat Rainbow Warrior early on, and stands accused of indecision and mismanagement following the operation to an extent that has ridiculed France's image abroad.

It is thus now doubly important for M Mitterrand that he is seen to be holding his own against Mr Gorbachev while at the same time improving ties between the two states. The



M Mitterrand... weaker hand on the tiller since the Rainbow Warrior scandal

most tricky area will be human rights. Mr Gorbachev is himself not likely to be shocked by the actions of the French secret services in sinking a boat that resulted in the death of a foreigner.

But it will be much more difficult now for a Socialist President to give the Russians moral lessons.

Officials say that M Mitterrand will not mention in public the name of the Soviet dissident Andrei Sakharov as he did when he visited the Soviet Union in June last year. But he certainly intends to make clear French concern about Russian human rights violations.

Through the French continue to refuse this, they are attracted by the idea of a halt to the SDI programme. So far

that there is a considerable similarity of vocabulary between the two sides. Both have denounced the risks of a "new arms race in space" and the French have tabled resolutions at the Geneva arms control talks to prevent the "militarisation" of space.

But the similarities end there. The French blame the Russians for beginning the development of anti-satellite systems. Their own belief is that nuclear deterrence remains the best safeguard against nuclear war. What they fear is that the rivalry between the U.S. and the Soviet Union over developing SDI-type systems could eventually call into question the credibility of the French deterrent.

The French have let the Russians know that they will not budge "one millimetre" in their position over SDI and will not allow the visit to be used to exacerbate divisions within the alliance. But more problematic for them is that the Russian proposal for strategic weapons reductions will renew the pressure for French weapons to be counted as part of its cuts.

Though the French continue to refuse this, they are attracted by the idea of a halt to the SDI programme. So far

the French have failed to define where between research, testing and deployment they judge this halt might occur.

The four day visit will mark a return to the pattern of regular heads of state meetings that marked Franco-Soviet relations during the 1950s and 1960s. General de Gaulle used to refer to the Russians as an "ally".

President Mitterrand, on coming to power in 1981, put Franco-Soviet ties on ice. This reflected French support for U.S. missile deployment in Europe, anger over Russia's invasion of Afghanistan and over Poland, and M Mitterrand's feeling of the need for discretion while he had Communists in his government.

Since the atmosphere eased about 18 months ago, relations have followed a zig-zag course. France expelled 47 Soviet diplomats in 1983 but did not join in Western sanctions after the shooting down of the Korean airliner.

At a bilateral level the French are dissatisfied with the current FF4.5bn (\$81m) deficit in their trade with the Soviet Union.

Moscow on offensive in Afghanistan, Page 10; Soviet foreign policy, Page 24

Polish officials predict 80% poll

By Christopher Bohmke

POLISH officials are confidently predicting an 80 per cent turnout on October 13 in parliamentary elections despite Solidarity's boycott call.

General Wojciech Jaruzelski, the country's military leader, kicked off his own election campaign at the weekend. These are first national elections since the martial law crackdown and the Party leadership has given itself an unopposed national list in the elections.

However, the authorities will be seeking to make a good impression on the population in the next few days because of concern about the numbers who will stay away from the polls.

It was to this end that a crowd of party activists and other well-wishers turned up at Warsaw airport on Sunday to greet the General on his return from the United Nations. The trip had been the General's first visit to the West since taking office and had been primarily aimed at improving relations with the outside world.

But his trip had also been aimed at the domestic audience and at the airport he sought to follow up his performance at the UN.

In something approaching a Western electioneering style he patted babies, sought to charm their mothers and shook hands with the men, all for the benefit of the television cameras.

Without referring to notes, he gave a short speech urging Poles to unite around building the country's future. At one point he admitted that the Government at times itself made mistakes.

The attempt to appear less remote is part of a style the Jaruzelski leadership has been trying to foster since it took power four years ago.

Last week Mr Mieczyslaw Rakowski, a deputy Premier and one of General Jaruzelski's closest aides, dropped in unannounced at the Paris Commune shipyard near Gdansk which was once a Solidarity stronghold.

In contrast to the airport greeting neither radio nor television were present.

Management made an attempt to conceal shopfloor problems as would have been the case in the 1970s.

Mr Rakowski's informal and easy manner during the visit was designed to show that the Government has a human face which it is ready to show to the shopfloor.

Militants swing behind Rocard

By David Housego in Paris

MICHEL ROCARD, the French Socialist leader, has substantially boosted his chances of being the left's candidate in a future Presidential election by polling an unexpectedly high proportion of votes amongst Socialist militants in the run up to the party Congress next month.

The dissident text that M Rocard intends to submit to the Congress gathered almost 30 per cent of the votes of local constituency parties in a poll over the weekend. The only other text being submitted to party militants is the official motion presented by M Lionel Jospin, the party's first secretary.

The strong swing in M Rocard's favour reflects discontent within the party at the official leadership as well as a good deal of disenchantment with the Government over its handling of the Greenpeace affair.

Though M Rocard has long been the most popular of the Socialist leaders in the public opinion polls, he has been a minority figure in the party. From having a peak support of 21 per cent of party members in 1979, he was reckoned at the last party Congress to represent no more than 10 per cent of the party.

M Rocard stepped down as Minister of Agriculture earlier this year to pursue his ambitions to become a Presidential candidate. Since then the opposition of the party hierarchy to him has made it seem increasingly likely that he could only run for the Presidency by leaving the party.

The weekend vote suggests that far from leaving the party M Rocard now stands a chance of rallying it behind him. His main rival as a centrist candidate in the party would be M Laurent Fabius, the Prime

Minister, who has been partially discredited by the Greenpeace affair, or M Jacques Delors, currently President of the EEC.

M Rocard's current conflict with the party leadership is based on his belief that the party should formally renounce its Marxist past and transform itself into a modern Socialist Democrat party.

He also believes that the party should leave open the option of entering into a coalition government with the centre or moderate right after the March general elections.

The party leadership was disappointed yesterday by M Rocard's success.

M Jean Popere, the number two in the party, said that the 30 per cent of the votes that M Rocard had scored was "30 per cent too much".

As a result of the vote M Rocard's followers will have a far higher proportion of seats in the party's executive committee.

Grain imports from West planned

Bulgaria, which has been hard hit by drought, will import grain from the West this year, the Yugoslav news agency Tanjug quoted Bulgarian President Todor Zhivkov yesterday as saying. Reuters reports from Belgrade.

Mr Zhivkov, who was addressing an East-West meeting of businessmen in the Bulgarian coastal town of Varna, did not say how much grain was involved but said it was "significant for the country's needs".

He linked the move to a bad winter last year followed by prolonged drought which had hit agricultural performance and created problems for the power industry.

He said Bulgaria was in a position to buy grain on Western markets because of its policy in recent years of reducing its foreign debt and building up foreign currency reserves.

Bulgaria drought forces meat output measures

By Leslie Collett in Berlin

THE BULGARIAN Government has introduced emergency measures to boost meat production from private farm plots in the face of a drought which has "destroyed much of the harvest," according to the official media.

Nearly 40 per cent of meat output in Bulgaria comes from private household plots which cover over 13 per cent of arable land but which make intensive use of fodder from collective farms. They are tilted by well over 1m collective farmers and workers in their spare time.

A Government decree has ordered collective farms to provide additional supplies of fodder to the private plots to maintain livestock and poultry levels.

The number of pigs raised by private farmers is to be boosted by "paying" them a "cash premium" of at least leva 30 (\$30) for each pig over 110 kilos delivered to the state and

leva 40 if they use their own fodder. Collective farms have been instructed to begin distributing 100,000 breeding sows to the private plot-holders starting in mid-December.

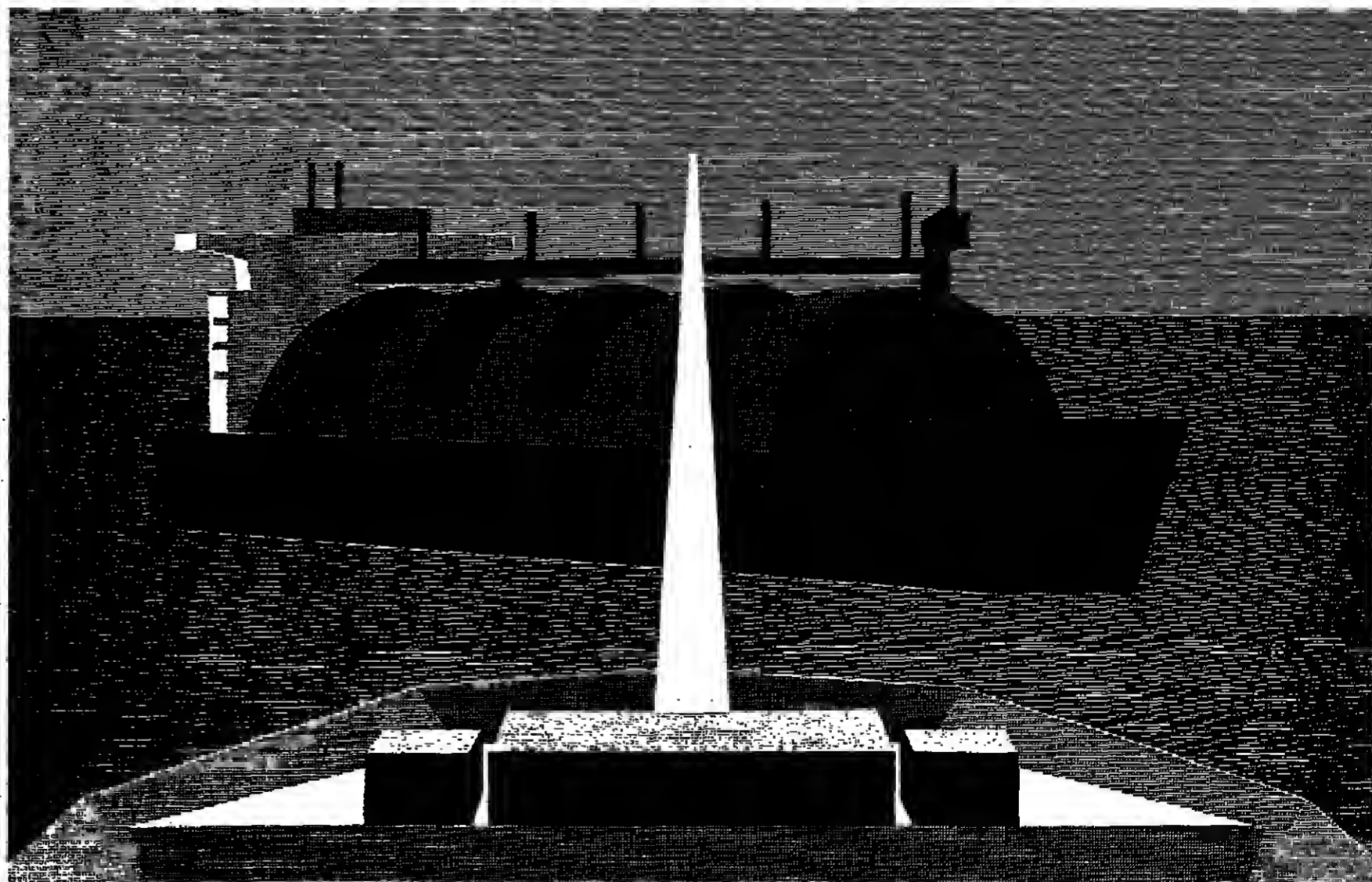
A commentary in the official media said Bulgaria could have raised foreign loans to import additional fodder but that experience showed such loans used for consumption were a mistake. Bulgaria has the lowest debt to the West of any Comecon country.

Starting today considerable tax reductions are to be given to individual plot-holders who raise animals on the basis of contracts and deliver them to the state.

The Government said the bundle of measures would help "further develop private plots" and transform them into a "natural extension of the public sector."

Krupp engineering for excellence

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AMERICAN NEWS

U.S. and Jordan inch ahead on Mideast talks

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

THE U.S. and Jordan yesterday made "headway" towards agreement on a new round of Middle East peace negotiations, but took no final decisions, a senior Administration official said. "Complex and sensitive issues" remained to be resolved before negotiations could begin, said President Ronald Reagan, following talks at the White House with King Hussein of Jordan.

Mr Reagan repeated his insistence that direct Arab-Israeli peace talks should start by the end of the year, "under the appropriate auspices." But despite glowing expressions of U.S.-Jordanian friendship, the two Governments' positions did not appear to have come much closer.

King Hussein still believed that it was "essential" that a preliminary meeting be held between the U.S. and a joint Jordanian-Palestinian delegation, and that there should then be an international conference, to which all five permanent members of the United Nations Security Council, including the Soviet Union, should be invited, U.S. officials said.

While some progress had been made on this so-called

"international context," Mr Reagan still doubted how useful the Jordanian proposals would be in bringing about direct negotiations between the two sides, according to a senior Administration official. Washington has repeatedly said that any preliminary meeting must move rapidly on to the face-to-face Arab-Israeli negotiations that it is seeking.

U.S. officials were pleased that the King is now talking about a preliminary conference leading "promptly and directly" to negotiations.

There was no sign, however, that the U.S. was any readier to meet the proposed Jordanian-Palestinian delegation. The U.S. remained concerned that some of the proposed Palestinian representatives had "a fairly clear affiliation" with activities by the Palestine Liberation Organisation, the U.S. official said.

Meanwhile, Mr Reagan pledged that he would press a reluctant Congress to accept the major Jordanian arms package, notified to Capitol Hill at the end of last week, as meeting Jordan's "proven defence needs."

Salvador opposition leader steps down

By David Gardner in Mexico City

MAJOR Roberto D'Ambrissio, the standard bearer of El Salvador's extreme right and for the last four years most potent symbol of the Salvadoran oligarchy's implacable hostility to even mild reform, has stepped down as leader of the Nationalist Republican Alliance (Arena), the country's main opposition party.

His resignation had been anticipated, and he himself had commented two weeks ago that the time had come for him to go back to "proselytism" or "missionary" activity.

He is to be replaced by Sr Alfredo "Fredy" Christiani, a 37-year-old and little-known coffee grower. His appointment would appear to be the first stage of a reorganisation of Arena under a more collective style of leadership. Major D'Ambrissio, a 40-year-old and boyishly handsome officer whose style mixed the flamboyant with the sinister, is widely credited with organising the far right's paramilitary death squads. They virtually annihilated the Salvadoran left's urban base in the run up to the five-year-old civil war.

Indicators signal modest upturn

BY NANCY DUNNE IN WASHINGTON

THE U.S. index of leading economic indicators rose 0.7 per cent in August, signalling at least a modest upturn in future activity.

Mr Malcolm Baldrige, Commerce Secretary, said last month's figures and an upward revision in the July indicators from an 0.4 to 0.7 per cent increase is consistent with the Administration's previous predictions of a 4 per cent real economic growth rate.

Some private economists, however, said a variety of technical circumstances makes some of the indicators look healthier

than they really are. A boost in car sales, for example, has resulted from a temporary clearance-sale financing rate, and no one is sure the surge can be maintained.

Mr Gordon Richards of the National Association of Manufacturers said the rise in the leading indicators shows the economy will grow more rapidly in the final quarter, but, "there is little evidence that this will translate into vigorous expansion."

Except for the car and aircraft industries, manufacturing

has been stagnant all year. Machine tool orders last month fell 8 per cent as durable goods makers showed continued caution in ordering factory machinery.

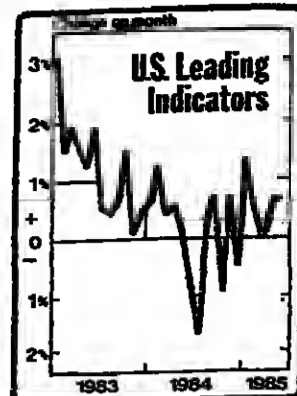
Analysts will be watching closely on Friday when the September unemployment statistics are to be released to see if last month's drop to 7 per cent was a seasonal fluke or a sustainable trend.

It is clear however that the drop in interest rates allowed by the Federal Reserve early this year and defence spending are oiling the wheels of much

business activity. The lower cost in credit is spurring construction so that the number of new contracts last month rose 15 per cent, matching July's strong level.

Six of the eleven indicators contributed to the increase in the August index: money supply, building permits, new business formation, manufacturers' new orders for consumer goods and materials and average weekly initial claims for unemployment insurance.

Four indicators declined last month: the average of 500



common stock prices, a speedier pace of deliveries, lower raw materials prices and a decline in outstanding credit.

Gloria helps set insurance record

BY TERRY DODSWORTH IN NEW YORK

CATASTROPHE claims against the U.S. insurance industry this year will almost certainly exceed the record of \$2.2bn (£1.6bn) set in 1983 once the damages resulting from last week's Hurricane Gloria are taken into account.

The impact of Gloria was not as severe as seemed likely before the storm slammed into the Carolina coastline last Friday. Nevertheless, the hurricane caused substantial damage on the east coast north of the Carolinas and across the heavily populated zones of Long Island and Connecticut.

Even before Gloria claims were running in excess of \$2.1bn during 1985, mainly as a result of a series of tornadoes

in the mid west followed by a number of heavy forest fires in Florida and eleven far western states. Earlier this summer the Gulf states were also hit by Hurricane Fabian.

The worst impact of Gloria was felt in a narrow swathe of land on Long Island and some of the coastal area of Connecticut, with beach property suffering the most serious damage. Outside this zone, where several lightly-constructed buildings were largely written off, the ill effects of the storm were mainly confined to uprooted trees and fallen power lines.

Some of the largest claims are likely to come from the electricity utilities, which were still struggling yesterday to

restore power to several outlying areas.

A number of the region's electricity companies said that Gloria was the worst disaster they had had to cope with in their history. On Long Island the Lico company indicated that it could be the end of this week before it had managed to re-connect all of its customers.

Additional workers have been shipped in by some utilities from as far away as Cleveland to hurry through repair work. U.S. insurance companies say that the damage from Gloria was not as severe as they had feared, but the storm will have the effect of adding more pressure for higher premiums

Johnson to be sworn in as Premier of Quebec

BY ROBERT GIBBENS IN MONTREAL

MR PIERRE Marc Johnson, 39, will be sworn in as premier of Quebec later this week after winning the presidency of the ruling Parti Quebecois by a wide margin this weekend.

He is expected to call a provincial election soon, possibly on November 25 or December 2, using the momentum of a three-day leadership convention to try to roll back the Quebec Liberals and their leader, Mr Robert Bourassa, the former premier. Mr Johnson, son of Mr Daniel Johnson, the late Union Nationale premier, succeeds Mr Rene Levesque, 63, who made his farewell as premier and PQ

president on Friday evening. In his acceptance speech Mr Johnson said he will try to ease some of the tensions among minority groups in Quebec, make the economy more efficient and lower taxes and unemployment.

About 140,000 PQ members elected Mr Johnson through a universal suffrage system. They voted at polling points throughout the province but the percentage turnout was a disappointing 60 per cent. Mr Johnson won almost 60 per cent of the votes cast and gathered major strength in Montreal.

Panama's military chooses a new softer-line President

BY ROBERT GRAHAM, LATIN AMERICA EDITOR

THE RESIGNATION of the President, Nicolas Ardito Barletta at the weekend has underlined once again that no politicians can operate in Panama without the support of the country's powerful National Guard.

Sr Ardito Barletta was the military's candidate in the 1984 Presidential election, and they ensured he emerged the victor. Now he has stepped down, after no more than 11 months in office, because both his style and performance have alienated them.

His successor, Sr Eric Arturo del Valle, who was sworn in immediately afterwards, is expected to make some early changes to appease a restless public and stimulate economic activity, which will almost certainly mean a renewal of talks with the International Monetary Fund.

The military are likely to support an easing of austerity to offset the social effects of severe unemployment, which has reached over 20 per cent in the two main population centres of Panama City and Colon. They also clearly worried by the rising level of public discontent and the prospect of increasing social protest against Sr Ardito Barletta's policies, which the IMF had endorsed.

In many ways Sr Ardito Barletta seemed an ideal presidential candidate. A former vice-president of the World Bank dealing with Latin America, he appeared well qualified to cope with Panama's depressed economy, suffering from the heavy burden of \$3.6bn in foreign debt.

He had a proven democratic record and was untainted by corruption in a country where it is rife. Furthermore he had worked in Government under the legendary figure of the late General Omar Torrijos, which gave him a mantle of historic legitimacy. His was the clear choice of the 12,000-strong National Guard commanded by General Manuel Antonio Noriega.

The National Guard intended Sr Ardito Barletta to provide an honourable front behind which the military could adopt a lower profile, thus giving Panama a more respectably democratic appearance.

The first thing that went wrong was the election itself. Sr Ardito Barletta's victory was hotly contested by the opposition amid widespread allegations of fraud. He always denied these charges but never managed to live them down because of his subsequent behaviour.

His period in office became a classic case of an accomplished technocrat failing to transform himself into a politician. The austerity policies which he sought to introduce were technically correct: for instance, he began cutting back Panama's excessively large public sector and held down wage rises. After years of any living Panamanians were unprepared, however, for such measures.

His opponents claimed he was far too arrogant and inept in selling these policies, and as early as last November there were large-scale demonstrations by both student and professional groups against his economic policies.

He also managed to alienate colleagues in his own party by failing to consult them. This was unwise because he relied on a coalition in the National Assembly. At times, passing legislation became almost impossible because he could not be assured of the loyalty of members of his own party.

His approach to cleaning up corruption also earned him enemies.

President del Valle faces an uncomfortable introduction to his new job. This is the third time in under three years that the National Guard has politely told an incumbent president to resign before being publicly sacked, thus preserving a framework of constitutionalism.



Sr Eric Del Valle... uncomfortable time

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Mexican creditors ready to take hard line on debt

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

MEXICO'S creditor banks were preparing to take a hard line on the country's \$20bn (£70bn) foreign debt problem as they met Sr Jesus Silva Herzog, Finance Minister, last night for the first time since the earthquake.

Several leading creditor banks said before the meeting started they were against a proposal to allow Mexico to defer repayment of a \$850m instalment of principal due this week.

The proposal had been made by Citibank, which chairs the committee of leading creditors, and was again expected to argue in favour of it.

Talks between the two sides were to continue until late last night amid expectations in Mexico City that Sr Silva Herzog would make a multi-billion dollar loan request at

the meeting.

However, bankers said they were unlikely to agree to any new loan until Mexico is back in compliance with an international Monetary Fund official sector lenders, they said.

Sr Luis Alva Castro, Peru's Prime Minister, held private talks with leading banks in New York last week, the first contact between Peru and its Citibank-led committee of main creditors since the new government took office.

Bankers described the talks as exploratory, although Sr Alva Castro confirmed the mandate of the committee to negotiate with Peru. This is regarded as important because it establishes for the first time a channel for talks between banks and the government of President Alan Garcia, which takes a hostile line on debt issues.

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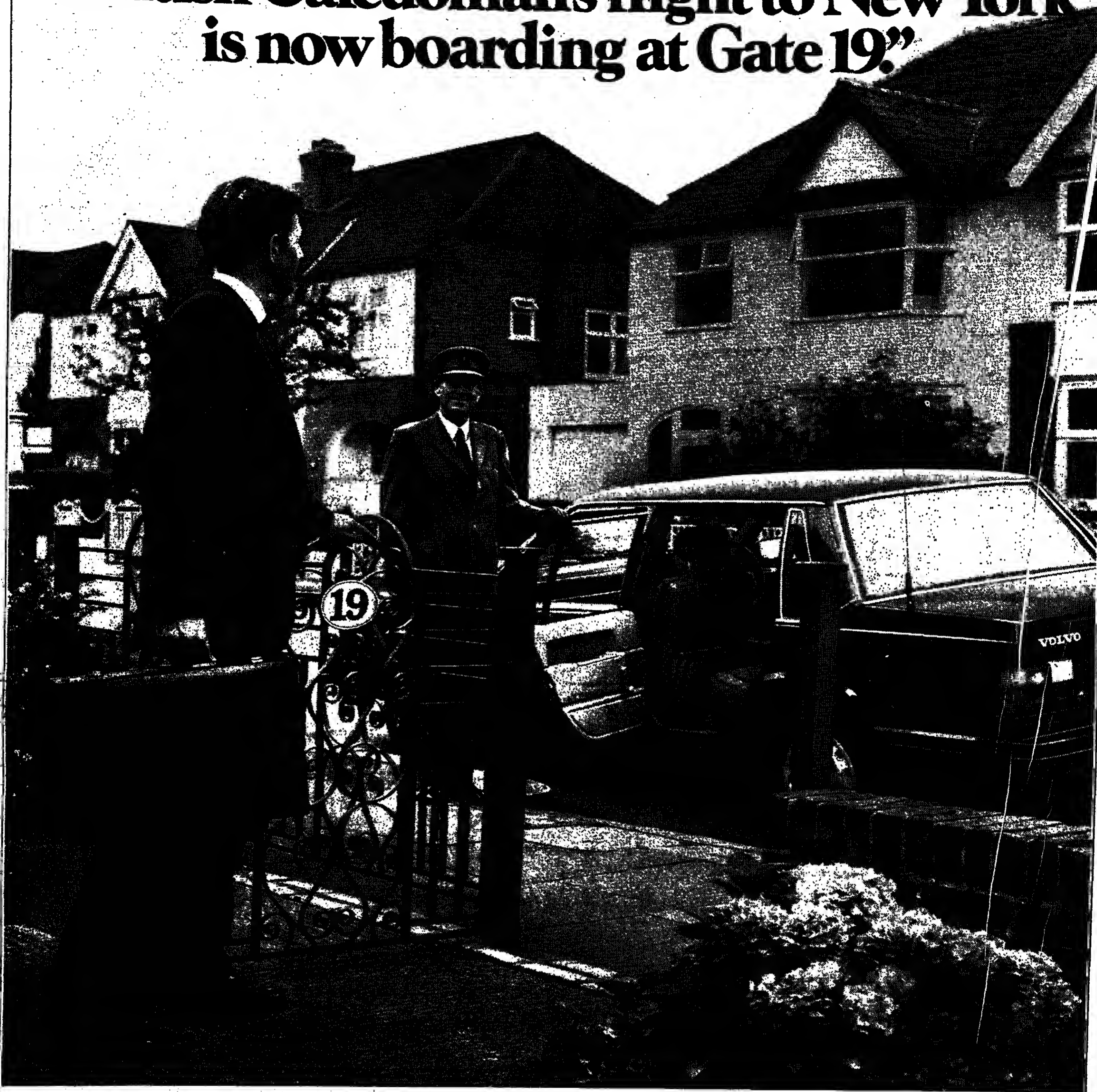
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OVERSEAS NEWS

Yen at 46-month high as need for upward surge is emphasised

THE Japanese yen yesterday hit a 46-month high against the U.S. dollar on the Tokyo foreign exchange market, as yet more senior Japanese officials spoke of the need for further appreciation of the currency.

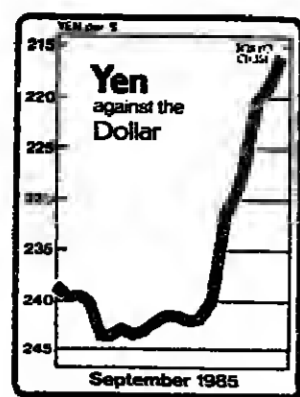
It did so on a day when it was announced that the Japanese current account and trade surpluses had retreated a little in August from their record pace of earlier in the summer.

The current account surplus reached \$3.49bn, against \$4.96bn in July and \$5.55bn in June; the trade surplus dropped to \$4.38bn from \$5.41bn in July and \$5.71bn in June.

However, the contractions were ascribed to the variations of August, when Japan usually exports less. Imports in fact also fell; in any case both the current account and trade surpluses were both well above the levels of August last year, when they reached \$1.23bn and \$2.22bn respectively.

It is generally accepted that, over time, a stronger yen will reduce Japan's surpluses. However, this is not expected to show up in the statistics for several months. Indeed, in the short term, the surpluses may well increase.

In any event, the Tokyo



foreign exchange market was not of a mind to pay much attention to payments and trade figures. It responded more to the weakness of the yen on Friday, especially in London, and to the continued public comments of senior officials that the upward surge still had some way to go.

Mr Yasuhiro Nakasone, the Prime Minister, told a luncheon attended by senior businessmen yesterday that he wanted the yen to rise as far as possible. That he was pleased with the currency's firmness and that this was a natural reflection of

the country's strong economic performance.

Yesterday was also the turn of both Mr Satoshi Sumita, Governor of the Bank of Japan, and Mr Tomomitsu Oha, the influential Vice-Minister of Finance. Mr Sumita said in Osaka that he wants to see the yen stabilise at still higher levels which "properly reflect the fundamentals of the Japanese economy." No target zone for the yen existed, he added.

Mr Sumita also promised further intervention by the Central Bank, though there was little evidence it sold dollars yesterday.

Spot volume was a relatively modest \$2.55bn. The yen opened here yesterday at 216.50 in the dollar, well up on Friday's close of 220.80. It fell in the morning to 218.00 but rose in the afternoon to close at 216.00, its highest level against the dollar since December 4, 1981, when it reached 215.80.

Both the stock and bond markets took heart from the yen's appreciation. The Nikkei average of 225 selected shares rose by 107.10 to close at 12,700.11, while the yield on prime long-term government bonds fell to a little over 5 1/2 per cent.

Tentative Uganda peace deal reached

By Mary Anne Fitzgerald in Nairobi

A TENTATIVE peace agreement between Uganda's ruling Military Council and the National Resistance Army has been reached following the guerrilla movement's armed support. This is believed to be the first time the official Ugandan delegation has adopted a more conciliatory position.

According to a highly placed Kenyan government official, Uganda delivered a shipment of arms to NRA troops in Uganda on September 25. Mr Yoweri Museveni, NRA leader who has been absent from the latest round of talks, last week contacted his commanders in the field to tell them to stop fighting. The order was ignored, the Kenyan official said.

Yesterday evening Mr Abraham Waligo, the Ugandan Prime Minister, reassured Ugandans in Nairobi that "progress is being made." The statement on the make up of a government in place of the former administration of Dr Milton Obote, deposed in a military coup on July 27, has been the major stumbling block in restoring peace.

The NRA, which had waged a protracted bush war against the Obote regime and resumed fighting September 12, has been in peace talks hosted by Kenya since late August. They have been carried on against a background of escalating fighting between the rebels and the Ugandan National Liberation Army. The NRA are better disciplined and more highly motivated than the Ugandan troops but have lacked the artillery to mount an offensive against Kampala.

Last week, Masaka, Uganda's third largest town, was taken by the NRA. The army barracks outside the town are still besieged, but a source in Masaka said the army troops have indicated they are willing to negotiate with the guerrillas.

Officials in Nairobi said an agreement for a peace formula had been reached in principle over the weekend. It centres around recruiting a new military force. The 15-man official Ugandan delegation led by Col Wilson Toko, Defence Minister and vice-chairman of the Military Council, has since been trying to work out the details of the peace formula with the 10-man NRA team.

The Uganda government proposals put forward last Thursday called for complete disarmament of the 20,000-strong army and the formation of a new army under the supervision of the British military training team stationed at Jinja, as well as Kenya and Tanzania.

IRAQI MINISTER SPURNS IRAN'S THREAT TO CLOSE STRAIT

'Only war's end' will halt Gulf raids

By RICHARD JOHNS

IRAQI WILL only cease its air raids against Kharg Island when Iran agrees to end the Gulf conflict, now entering its sixth year, according to Mr Tariq Aziz, the Iraqi Foreign Minister.

Yesterday Iraq announced the seventh attack on the Iranian oil terminal facilities, the seventh assault claimed in as many days and the 17th since the present campaign was launched nearly eight weeks ago. A military spokesman also said that Iraqi aircraft had struck a "large naval target" in the vicinity of Kharg Island but there was no independent confirmation of the strike.

Mr Aziz, a senior member of the ruling Ba'ath Party, dismissed the renewed Iranian threat to close the Strait of Hormuz to all oil traffic from the Gulf in an interview published by Mideast Report, a New York-based newsletter. Mr Aziz also confirmed that Iraq would press for agreement from other members of the Organisation of Petroleum Exporting Countries for an increase in its output quota from the present level of 1.2m barrels a day to 1.7m b/d. That would be sufficient to accommodate most of the 500,000 b/d export capacity available to Iraq as a result of the coming into operation of the spur line linked to Saudi Arabia's trans-peninsula transportation system.

With the approach of the next Opec ministerial conference scheduled to begin in Vienna on Thursday, Iraqi oil officials are said to be cooing and confident that the flow of Iranian oil from Kharg Island can be

cut altogether, according to executives just returned from Baghdad.

Theoretically a severe curtailment of Iranian shipments would make it possible during the fourth quarter for the market to absorb a bigger Iraqi allocation as well as an increase in the flow of Saudi oil following its abandonment of strict adherence to official selling rates. Demand for Opec oil is generally expected to be about 16m b/d for the October-December period or in line with the present agreed ceiling.

While any agreement on a change in quotas looks very difficult if not impossible, the intensification of the siege of Kharg Island has certainly improved the short-term outlook for members of Opec other than Iran.

In its latest edition the respected Middle East Economic Survey says that the Iraqi attacks on Kharg Island could pose an "imminent" threat in world oil supplies.

Depicting two scenarios the news letter said that under the

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first Iraq would attempt to knock out Kharg Island on a permanent basis. Under the second, Iran would "inevitably be driven to retaliate by attempting to disrupt oil exports from other Gulf states, such as Kuwait and Saudi Arabia, as well as other sea-borne trade to and from those countries."

Soft loans for China 'limited'

CHINA will need to rely on foreign borrowing for rapid and sustained economic growth because its access to concessional lending is limited, the World Bank said in a statement, Reuters reports from Peking.

"Since China is still a poor country, with per capita GNP of \$310, it has a claim to concessional lending," the bank said. "But its access to such capital is limited."

China could expect concessional loans of no more than \$600m a year, mostly from Japan, during the rest of the 1980s; in addition to what it would get from the World Bank, the statement said.

The statement gave no forecast for China's foreign borrowing requirements and did not say how much the bank would lend to China.

The bank said it had lent China about \$3bn in the five years since it became a member of the bank in May 1980. Of this, \$1.84bn was from the International Fund for Reconstruction and Development and

\$1.17bn from the bank's concessional loan arm, the International Development Association.

China's tax revenue in the first eight months of this year was 125bn (230.5bn) and is expected to reach about Yuan 170bn for the whole year compared with a target of Yuan 162.18bn, the People's Daily said.

AP adds from Peking: There are no basic differences within the Chinese Communist Party hierarchy at current policies. Hu Qili, a newly promoted politburo member, said yesterday, "The 86-year-old former mayor of Tianjin, named successor of the party general secretary, spoke in English and Chinese to foreign reporters at a National Day reception in the Great Hall of the People."

Asked about last week's controversial speech by politburo elder Chen Yun, who criticised the role of market forces and what he called a corrupt capitalist influence entering China, Hu said: "All the

speeches were discussed beforehand and everyone was in agreement. There are no basic differences."

Chen, 80, favours strong central planning and cautious reform, while China's senior leader, Deng Xiaoping 81, has launched revolutionary changes in the past seven years, catapulting the nation away from Maoism toward a growth-oriented decentralised market economy.

"The reform of the economy is very complicated," said Hu. "It's just like when you drive a car. To go forward, you turn the wheel but you don't turn round. It's not a reversal."

Chen's speech stressed the need for grain production and collective leadership. Asked if Chen was openly criticising Deng and his reforms, Hu said: "No, I do not see it as critical."

Referring to party debate over open-door ramifications, Hu said: "I think it is very necessary for us to try to identify problems and overcome them in a timely fashion. We need fine tuning from time to time."

Militias set to storm Tripoli

By Nora Boustany in Beirut

PRO-SYRIAN left-wing militias prepared to storm into the northern port city of Tripoli yesterday to dislodge diehard Islamic fundamentalist fighters entrenched inside.

Despite stiff resistance by the Islamic Tawheed militia of Sheikh Sa'eed Chaaban since a Syrian-backed offensive began last Saturday, militiamen of the National Syrian Social Party, the pro-Syrian Ba'ath Party and the Lebanese Communist Party appeared to have made advances into the besieged city.

The Arab Democratic Party, also backed by Syria, has been battling Sheikh Chaaban's Islamic Unification Movement, known as Tawheed, for the past two weeks to gain control over Tripoli, Lebanon's largest city. Tawheed's refusal to allow Syrian troops to enter and pacify Tripoli prompted Syrian mediators to terminate negotiations only a few hours before the assault began Saturday.

Initial difficulties in breaking through Tawheed's defences raised fears of direct Syrian military action. Conflicting reports reaching Beirut spoke of involvement in the battle against Tawheed by Syrian troops fighting the embattled town. Over 500,000 people have been driven out of their homes due to the intensity of fighting that has destroyed much of the city's infrastructure. Over 250 people have died and 1,000 been wounded in the 100-week-old hostilities.

AP adds: Mr Iskandar Ghilbi, the city's governor fled to a makeshift headquarters of the city's outskirts. He told state-run Beirut Radio by telephone that dozens of casualties lay uncarried for in the streets. "I can't provide figures and I can't give an accurate picture of the progress of the fighting beyond saying it is very savage. All communications with the interior of the city are severed," he said.

Japan hopes for Unesco reform

By JUREK MARTIN, OUR FAR EAST EDITOR, IN TOKYO

NEXT WEEK'S meeting in Sofia of the general conference of the United Nations Educational, Scientific, and Cultural Organisation (Unesco) is looming as an early and important test of Japan's renewed commitment to try to reform UN institutions from within.

A senior Foreign Ministry official here emphasised yesterday that his Government's present inclination was to remain a member of Unesco, and not to follow the lead of the U.S., which withdrew last year, and the U.K., which has served notice to quit at the end of this year. If satisfied, Japan would reformers are not brought about.

Japan is now the second largest donor to the UN, after the U.S., and its withdrawal from Unesco would mean "the collapse of that organisation," according to the senior official. By working for reform from the inside, he added, Japan could serve as a bridge between Unesco, especially its Third World members, and the U.S.

But, he went on, if the Japanese proposals to be presented next week in Sofia were given short shrift, Japan would be under pressure to reconsider

membership. The Sofia meeting, which follows an inconclusive session of the Unesco executive body in Paris, would also be critical for the U.K., he said.

In his speech in New York to the UN General Assembly last week, Mr Shinro Abe, the Foreign Minister, pledged that Japan would work to make the UN a more effective institution. His remarks were said to reflect the grave Japanese concern that failure to resolve the Unesco crisis could have a suicidal "snowball effect" throughout the UN organisation.

One of the pillars of Japanese foreign policy over the last 30 years has been support for the UN. However, financial contributions aside, it has never been one of its most visible and effective members, in good measure because it has invariably quietly done what the U.S. has required.

Mr Abe's speech presaged a more independent stance, yet officials concede privately that it is not proving easy to find subjects and areas in which Japan can carve out a distinctive niche for itself. The Unesco initiative appears to be

an attempt in this direction. Although the senior official said that the Sofia proposals were still being refined, Japan has a standing three-point reform programme, which includes the shelving of some projects, a formula to depoliticise Unesco, and a system for reviewing the modus operandi of the organisation's controversial director general, Mr Amadou Mahtar Mbow.

In particular, Japan will resist suggestions believed to originate with Mr Mbow and his supporters that Unesco staff redundancies should be directed at American citizens, because the U.S. is no longer a member, and at Britons, if the UK carries out its threat and withdraws.

The Foreign Ministry here has taken particular interest in the recent recommendation of the House of Commons foreign affairs committee that Britain remain a member. That report pointed out, *inter alia*, that the salaries and consultancy fees earned by British citizens and institutions from Unesco (£9.5m in 1984) were nearly twice as large as the £5m annual UK contribution to the Unesco budget.

Mozambique accuses S. Africa

MOZAMBIQUE accused South Africa yesterday of supplying anti-government rebels with six months' worth of arms and ammunition just before signing a peace treaty with Mozambique in March 1984, AP reports from Maputo.

Col Sergio Vieira, the Security Minister told reporters that captured documents showed South Africa had violated the treaty repeatedly and with "premeditation."

Col Vieira said the last-

minute resupply violated a "gentlemen's agreement" between Mozambique and South Africa in December 1983 to follow the treaty provisions that were to be formally signed three months later.

Mozambique's President Samora Machel, a long-time Marxist who has made several journeys to the West in recent months, met last week with President Ronald Reagan in Washington for the first time. Mr Reagan expressed concern

at the disclosures of continuing South African aid to the rebels. Col Vieira said the new revelations from the captured documents proved that certain elements in South Africa were determined "not to observe it (the treaty) but to maintain a climate of instability."

The decolonisation of South African resupplies just before the treaty was signed "reveal premeditation and organisation in order not to observe the agreement," he said.

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Failed coup attempt highlights army disunity

Shaky regime adds to Sudan's problems

By JOHN MURRAY BROWN IN KHARTOUM

THE ARREST of 162 people in Khartoum following an attempted coup last week illustrates the precarious state of the present Sudanese Government under General Saeed Dahab.

The coup attempt was apparently staged by soldiers dissatisfied with the handling of the civil war in the South and refusing to take part in the fighting there.

In recent weeks Government troops have tried to clear the main strategic road running north-south from Juba to Bor, which is besieged by the rebel Sudan People's Liberation Army (SPLA). Attempts to negotiate with the rebel leader Col John Garang, who is calling for the overthrow of the military regime, have come to nothing.

The conflict started in 1983 following former President Jafar Numeiri's introduction of Islamic law in Sudan, whose southern areas are predominantly non-Muslim. Attitudes have hardened since then Numeiri was ousted in a coup in April.

An attempt by the new regime to set up an alliance with Libya, arms supplier to the rebels, has produced little evidence of positive results and the Libyan rapprochement has angered the U.S. and Saudi Arabia, Sudan's traditional allies and largest donors.

Egypt was also worried, for Sudan is perceived as holding a key strategic position bordering the main trade route up the Red Sea, and opposite Yabutu, the key export outlet for crude oil. U.S. indignation was compounded by Sudan's decision to opt out of its recent "Bright Star" military training exercises in the area.

The moves towards Libya have had repercussions in negotiations over Sudan's external debt. Government and com-

mercial debt stands at \$9bn and arrears to the International Monetary Fund (IMF) at \$140m. Negotiations with the U.S. over the release of aid funds have been conspicuous by their absence.

A series of IMF advisory teams in Khartoum in recent weeks have made little progress, and suggestions that Mr Abdel Magid, the Finance Minister, was about to float the Sudanese pound and allow a "free" com-

mercial bank interest rate were strictly discarded.

Conciliatory gestures towards the Sudanese have been criticised by trade unions and ministers. In July bank unions went on strike calling for the resignation of both the Finance Minister and the governor of the central bank, a crisis which was only partly relieved by the divulsion of the governor.

For the moment the IMF has

extended the grace period for settlement of the arrears for two or three weeks, and an important meeting of Arab donors is due to take place in Riyadh later this month. Saudi Arabia and Kuwait, the principal Arab donors to Sudan, refused in July to take part in an Arab League-sponsored operation to resolve the country's debt problem but, officials in Khartoum are hopeful that as much as \$8bn may be pledged this time.

Sudan has been forced to turn to Libya for oil supplies, another indication of the balancing act it is playing between its traditional and its more newly-acquired allies.

The events last week, revealing disunity in the army, simply add to Sudan's problems. A proliferation of political parties have produced no consensus, with the communists-backed unions and the Islamic fundamentalists, the Muslim Brotherhood, renamed the Islamic Front, at extreme ends of the political spectrum.

Added to this is the enormous problem of a refugee population of over 1m and a famine which threatens the lives of up to 2m in the west of the country. Behind it all is the southern war in 1972 the first set of hostilities was resolved after 17 years of fighting by the Addis Ababa agreement, cited then as the Versailles of African treaties.

Former President Numeiri, then Yabutu, the governor of the central bank, a crisis which was only partly relieved by the divulsion of the governor.

REPUBLIC OF GUINEA-BISSAU

Petroleum Exploration Acreage Offering

THE MINISTRY OF NATURAL RESOURCES AND INDUSTRY OF THE REPUBLIC OF GUINEA-BISSAU and PETROMINAS, the national oil company, are pleased to announce that applications for the second round of petroleum exploration licensing will be accepted during the first quarter of 1986.

Two meetings will be held to present the geological and geophysical interpretation of the new seismic offshore coverage, as well as to provide information on the Petroleum Law, the Model Agreement and fiscal terms relevant to the present offering. The representatives of GUINEA-BISSAU and its consultants will be present.

The meetings will be held at 9 am on Wednesday, 16 October 1985 at the Westin Oaks Hotel in Houston (Tel: 713-823 4300) and at 10 am on Wednesday, 23 October 1985 at the Strand Palace Hotel in London (Tel: 01-388 8060). Lunch will be served. The presentation is scheduled to end at 3 pm and 4 pm, respectively, after which the GUINEA-BISSAU delegation will be available for discussions with individual companies. Companies may also schedule discussions on the following day between 9 am and 5 pm. Companies who wish to attend are kindly requested in contact.

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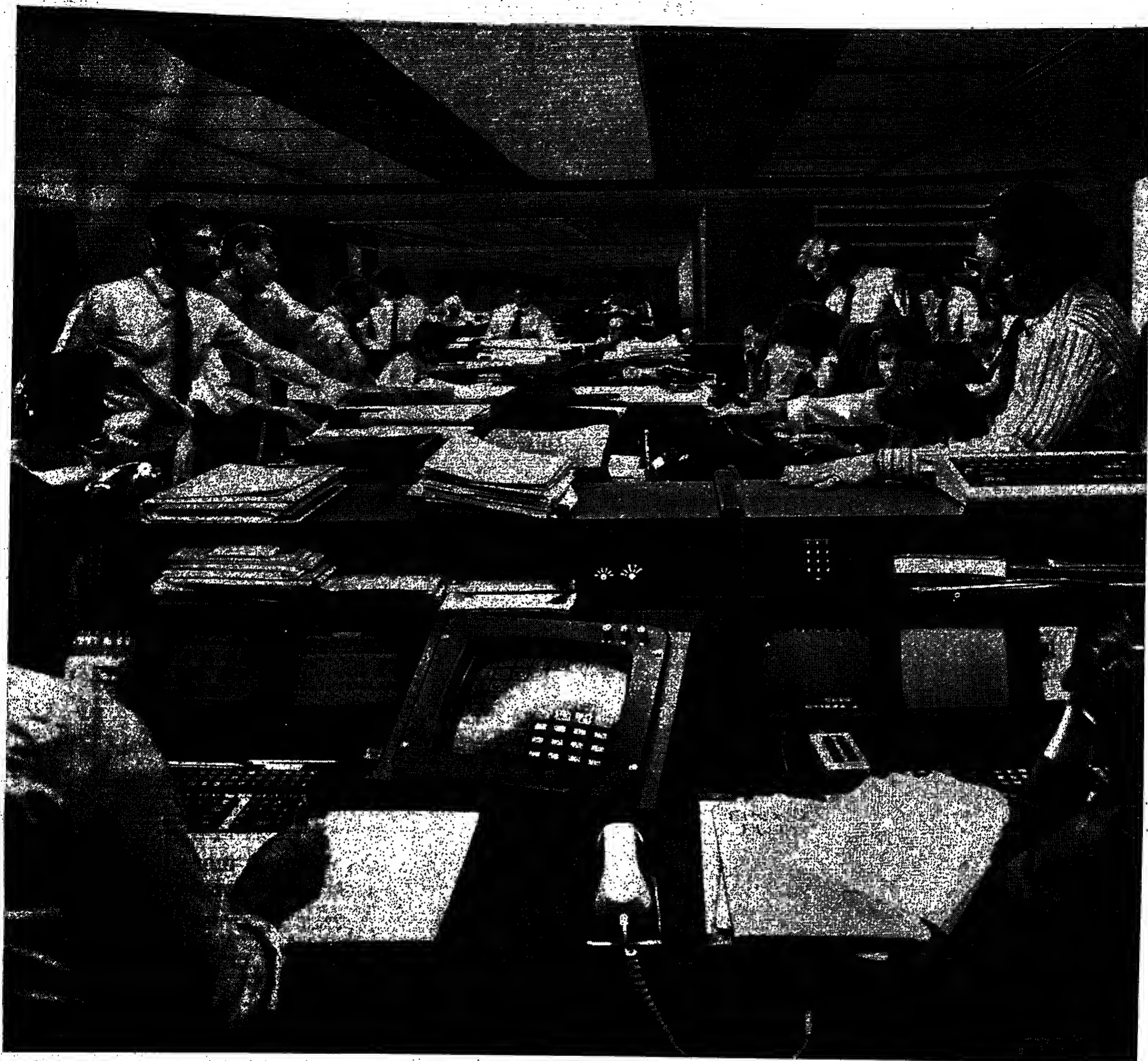
Companies may also contact Mr Rudy Prime at Deacon Inc. in Houston (Tel: 713-526 5611), Telex: 791248; or Mr Amoun Sahakian in London (Tel: 01-491 2924 Telex: 21193) and are requested to indicate the names and positions of persons who will be attending.

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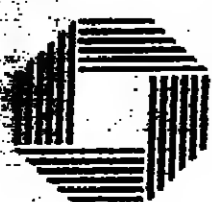
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WORLD TRADE NEWS

David Marsh reports on the success of the A-320 more than a year before its maiden flight

Airbus's paper aircraft enjoys an Indian summer

IT HAS been an Indian summer for Airbus Industrie. The European airliner manufacturing consortium's \$1.6bn order from Indian Airlines 10 days ago topped a string of successes against arch-rival Boeing over the past few months. Above all, it confirmed the popularity of the new narrow-body A-320 Airbus due to make its first flight in 1987.

The construction programme for the 150-seater A-320, designed to move Airbus into a new area of the airliner market in its competition with Boeing, was launched in March 1984. Scheduled to enter service in spring 1988, the A-320 has now chalked up a total of 109 firm and committed orders. They include letters of intent from the Air Force, the Australian company Ansett and Indian Airlines which are not yet binding. It has also secured optional orders for a further 125 A-320s.

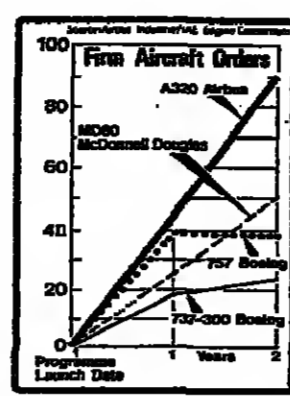
At a time when the A-320 exists only on paper, this support from nine international airlines gives the project a volume of start-up orders considerably greater than those commanded by the A-300 and

A-310 airliners during the 1970s. It also compares favourably with launch orders received for previous U.S. airliners. Airbus Industrie now believes it has been vindicated in its action during 1982-84 - much decried at the time, above all by Boeing - in pressing for the A-320 launch in the midst of an international slump in airliner orders.

Requiring an estimated production run of between 400 and 600 aircraft to break even, the A-320 is still a long way from being assured completely of success. One reason why Airbus is being cautious in its initial assessment of the Indian Airlines sale is that the A-320 letter of intent still has to be converted into a firm order.

The U.S. has lodged a formal complaint with the Indian Government over the deal, which follows the cancellation of a previous letter of intent awarded by the airline to Boeing in June last year.

The success of Airbus Industrie in reading the airliner market's demand for a high-technology 150-seater at the end of the decade however is bound to boost the con-



tinuum's aspirations of adding further to its product range. A project to build a four-engine long-haul aircraft is now being studied in collaboration with international airlines. The improvement in Airbus Industrie's commercial fortunes could however complicate the process of financing the \$1bn development cost of this new TA-11 project. At a time when budgetary funds are in short supply, evidence that Airbus is starting to stand on its own feet in the struggle with

Boeing may make governments in Airbus's four shareholding countries less ready than in the past to provide launching subsidies.

The British Government agreed last year to put up £250m to back the £2bn development costs of the A320, only after considerable wrangling. Mrs Margaret Thatcher, the British Prime Minister, irritated Airbus executives by remarking during the debate over funding that she did not want "another Concorde".

The UK's attitude over Airbus finance may be tougher now that British Aerospace—with a 20 per cent shareholding in the consortium—has been completely privatised. Airbus Industrie has been studying for several months the possibility of diversifying funding sources for the new TA-11 as well as the twin-engine TA-9 short to medium range aircraft. It also has on the drawing boards several other projects for diversifying funding sources for the new TA-11 as well as the twin-engine TA-9 short to medium range aircraft. It also has on the drawing boards several other projects for diversifying funding sources for the new TA-11 as well as the twin-engine TA-9 short to medium range aircraft.

Including orders for wide-body aircraft as well as the A-320s, Airbus this year has secured firm orders for 79 aircraft (28 A-310s, 19 A-300s and 31 A-320s) as well as letters of intent for 27 aircraft and

options on 101. This compares with only 35 firm orders in 1984.

As a psychological boost for M Jean Pierson, the new Airbus chairman, who took over on April 1, all but seven of this year's firm orders have been booked since then. Two of this year's signings—for Air India (in April) and Pan American World Airways (in May) were firm orders which followed commitments entered into last year.

A significant feature of this year's round of orders for the A-320 has been the popularity of the V-2500 engine launched by the five-nation International Aero Engine (IAE) consortium led by Pratt and Whitney and Rolls Royce.

Out of 234 firm committed and optional orders for the A-320 137 have been for aircraft powered with the V-2500 against 88 for the CFM-56 produced by General Electric and SNECMA of France. Engines for a further nine option aircraft have not yet been decided. The V-2500, more fuel-efficient than the CFM-56, will enter service in spring 1988.

Being this summer has

stepped up allegations of unfair price cutting by Airbus. The European manufacturer brought off its latest coup in India partly by offering Indian Airlines free leasing of older aircraft to bridge the gap before the A-320s are ready in 1989. Although the contours of airline financing have become blurred more than ever by leasing and trade-in deals, it is clear that both companies have been engaged in considerable discounting over the past year or so.

Boeing meanwhile has decided to delay until 1992 producing a new-technology 150-seater. Earlier plans to revamp its 737 range or build a new aircraft to rival the A-320 by the end of the decade have been dropped—partly because of the financial risk.

Burdened by the cost of absorbing its 757 and 767 programmes which still have years to go before they are scheduled to be broken even, Boeing argues that it is less able than government-supported Airbus Industrie to gamble on a new model. The commercial performance of the A-320 during the 1980s will show whether the gamble pays off.

Egypt set to order up to £100m of UK defence equipment

By BRIDGET BLOOM, DEFENCE CORRESPONDENT

BRITAIN EXPECTS to conclude agreements to sell between £70m to £100m of defence equipment to Egypt within the next few weeks. The Egyptian deals, which forms part of credit offer by Britain of £150m, will come in the wake of a similar £270m package recently signed with Jordan, a contract worth more than £250m for Tornados aircraft with Oman, and the biggest arms deal Britain has ever concluded, the £3bn to £4bn package involving the sale of 132 aircraft to Saudi Arabia, which was initiated in London last week.

The spate of orders for deliveries over the next three to five years will boost significantly Britain's flagging arms exports, which have been hovering around £2bn, instead of the projected £2.5bn, for the last two years.

The deals also consolidate Britain's position as one of the three top arms suppliers to the Middle East. It is understood that the Egyptian package will cover a range of weapons systems, including electronic, and possibly British Sting Ray torpedoes. The credit, backed by the Export Credit Guarantee Department and originally involving £300m, was offered three years ago but the Egyptian Government was slow to take it up, principally, it was understood, because of the level of interest rates. Officials expect tough negotiations on this issue in the next few weeks.

It is not clear whether the

remainder of the £150m will be taken up in the near future, but the Egyptian Government appears particularly keen to invest in a number of projects to encourage British and other Western investment, both in the country's arms industry and general manufacture.

At the weekend, Arab International Ordnance, a company jointly owned by United Scientific Holdings, of the UK, and the Egyptian Ministry of Defence, opened a \$10m (£7.1m) factory to produce binoculars, night sights, laser range finders and gun control equipment.

Operating under Law 43, which gives the foreign company waivers on import duties, a five-year tax holiday and liberal arrangements on transferring dividends, AIO expects a turnover of between £23m and £25m annually by 1988. The company will be the sole supplier to the Egyptian forces, while it expects substantial exports in the region.

United Scientific is the first British arms company to invest in Egypt since the breakdown of the Arab Industrial Organisation in the wake of the Camp David agreement between Israel and Egypt.

The aim of the organisation was to combine Saudi Arabian and Gulf capital with Western investment and expertise in Egyptian industry. One such venture, involving Westland Helicopters and Rolls-Royce, was stillborn and is the subject of legal wrangles.

Prague increases investment openings

By David Sochan, recently in Prague

Czechoslovakia has cautiously disclosed that it is ready to accept direct Western investment through joint ventures in a broad range of industrial sectors, and not just in consumer electronics as it had earlier announced.

Mr Leopold Ler, the Finance Minister, and Mr Karel Horvath, the Trade Minister, who are the two men most involved with setting a framework for joint ventures, said recently that Western investment, in cash, equipment or know how, would be welcome in such diverse areas as electronics, machine tools, food processing, tractors, and tourism.

The Western equity stake could be up to 49 per cent, with repatriation of original investment and profit, though detailed regulations would depend on the joint venture's scope.

The two ministers said, however, that the country's first experience with direct investment since 1948 would be carefully scrutinised. If all went well "then the second or third joint venture could be dealt with at a lower level," Mr Horvath said.

Mr Ler stressed that joint ventures should to some extent use Czechoslovakia's own materials and not draw in large quantities of imports.

This close scrutiny explains minister's silence on negotiations for a joint venture in consumer electronics. Stay of Japan and Philips of the Netherlands are believed to be vying for the contract.

The dispatch said Mr Horvath, deputy electronics minister, has said Czechoslovakia wants. Other officials, however, said that the need for imported technology extended far beyond consumer electronics, which accounted for a mere 8 per cent of electronics output.

Permission for joint ventures is a clear admission that Czechoslovakia, with its wide industrial base, needs a mere facelift of Western technology than can be obtained by traditional licence purchases and temporary co-production deals.

Japanese VTR exports fall

EXPORTS of videotape recorders (VTRs) from Japan fell last month for the first time since 1976, writes Carla Roppoport in Tokyo.

According to government figures released yesterday, 1,572,000 VTRs were exported in August, a 1 per cent year-on-year decrease from August 1984.

Overall production of VTRs continued to increase, however, growing 7.8 per cent to 2.2m units.

Opinion divided on freer trade

A BARE majority of the Japanese public are in favour of opening the country's doors wider to imports, according to a poll released in Tokyo by the Prime Minister's office, writes Jurek Martin in Tokyo.

A survey of 3,000 adults, of which nearly 80 per cent responded, found 16.3 per cent had no reservations about more imports and a further 33.9 per cent approved, providing they were handled in a "balanced" manner.

But 28.9 per cent advocated a cautious approach, with the remainder undecided.

NEI moves to prevent further delays on Indian energy project

By JOHN ELLIOTT in NEW DELHI

NORTHERN Engineering Industries (NEI) of the UK and India's National Thermal Power Corporation have moved to prevent NEI's £230m Riband power station contract from slipping up to a year or more behind schedule.

The two 500MW generators project is already six to nine months behind schedule and British Electricity International, India's consultants, are reported to have estimated that this could increase to 12 to 15 months by the time NEI has completed the contract, originally scheduled to last five years from early 1992.

The contract was originally conceived by the country's two Prime Ministers, Mrs Margaret Thatcher and the late Mrs Indira Gandhi, and is heavily backed by aid from the British Government which chose NEI.

Both Governments are now embarrassed by the constant problems and the continued slippage of time schedule. Some Indian Government officials privately say that the contract would not have been placed with the UK if they had known

the problems that would arise.

During the past two months NEI has brought managing directors of 27 of its subsidiaries and 47 representatives of other subcontractors such as GEC, Babcock and Weir to India for periods of up to two weeks to iron out problems that were becoming bogged down in bureaucratic and contractual wrangles.

Mr M L Shishoo, chairman of the power corporation, said yesterday at a Press conference that these meetings meant that "most of the design problems posed to us today have been cleared." There was a "lot of improvement in the functioning and there is much better understanding."

Mr Graeme Anderson, managing director of NEI International Projects Group who led the teams of visitors, said "There has been a fresh attitude in the past six months. Whereas in the past the letter of intent and the contract has seemed paramount, now senior level decisions are being made to protect the programme

rather than having constant debates about the contract."

The power corporation's annual report yesterday said the "slow progress of work of NEI who are the turnkey contractors for the project, continues to be a cause of concern."

The delays have all been concerned with equipment manufactured in the UK. Both sides now seem to agree that there is a chance of keeping the delays "within six months plus a three month float," as Mr Shishoo put it yesterday.

But problems are emerging over erection time spans allowed by the power corporation on the basis of its past experience erecting 200MW power stations, and on three other 500MW stations now being built which Mr Shishoo says are all one time.

NEI may want to be given longer erection times but Mr Shishoo said yesterday: "Our erection standard norms are agreeable to Bharat Heavy Electricals (India's nationalised power station contractor) so we are not going to lower standards."

Turks will seek more business with Soviets

TURKEY'S Finance Minister, leading a delegation of officials of private and public companies, left Istanbul for Moscow on Sunday saying he would seek more business for Turkey from the Soviet Union, AP reports from Istanbul.

Mr Ahmet Kucukboga, Finance Minister, will be in Moscow for "Turkish week" which started yesterday, Anadolu News Agency said.

The dispatch said Mr Kucukboga was accompanied by Mr Ekrem Pakdemirli, Treasury and Foreign Trade Under-Secretary, and 148 se-

nior officials and representatives of private and public sector companies.

Before he left, Mr Altinmecnin said his delegation would seek jobs for Turkish contractors in the Soviet Union as well as Soviet-Turkish ventures in other countries.

The two countries signed a protocol in December and agreed to extend a natural gas pipeline from Bulgaria to Turkey.

Turkey plans to use Soviet natural gas for residential heating and for a power plant.

Luxembourg group buys RCA satellite

SOCIETE Europeenne des Satellites (SES), a Luxembourg-based satellite operating company, said it has agreed to buy a satellite from RCA Astro-Electronics of Princeton, New Jersey, and to take an option on a second one, AP-J reports from Luxembourg.

SES declined to disclose the purchase price.

The satellite, to be used for television transmission, will be launched in April or May, 1987, SES said.

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231	1991	3491	5091	6591	11591	12991	14091	18991
331	2091	3591	5191	6691	11691	13091	14191	19091
431	2191	3691	5291	6791	11791	13191	14291	19191
531	2291	3791	5391	6891	11891	13291	14391	19291
631	2391	3891	5491	6991	11991	13391	14491	19391
731	2491	3991	5591	7091	12091	13491	14591	19491
831	2591	4091	5691	7191	12191	13591	14691	19591
931	2691	4191	5791	7291	12291	13691	14791	19691
1031	2791	4291	5891	7391	12391	13791	14891	19791

On November 1, 1985, there will become due and payable upon each Debenture the principal amount thereof, in such coin or currency of the United States of America as on said date is legal tender for the payment of public and private debts, at the option of the holder, either (a) at the corporate trust office of Morgan Guaranty Trust Company of New York, 30 West Broadway, New York, N.Y. 10015, or (b) subject to any laws and regulations applicable thereto with respect to the payment, currency of payment or otherwise in the country of any of the following offices, at the principal office of Banca Nazionale del Lavoro in Rome or the principal office of Banca Commerciale Italiana in Milan or the main offices of Morgan Guaranty Trust Company of New York in London, Brussels, Paris or Frankfurt or the main office of Allgemeine Bank Nederland N.V. in Amsterdam or the main office of Societe Generale in Luxembourg.

Debentures surrendered for redemption should have attached all unmatured coupons appurtenant thereto. Coupons due November 1, 1985 should be detached and collected in the usual manner.

From and after November 1, 1985 interest shall cease to accrue on the Debentures herein designated for redemption.

ENTE NAZIONALE IDROCARBURI

By: MORGAN GUARANTY TRUST COMPANY

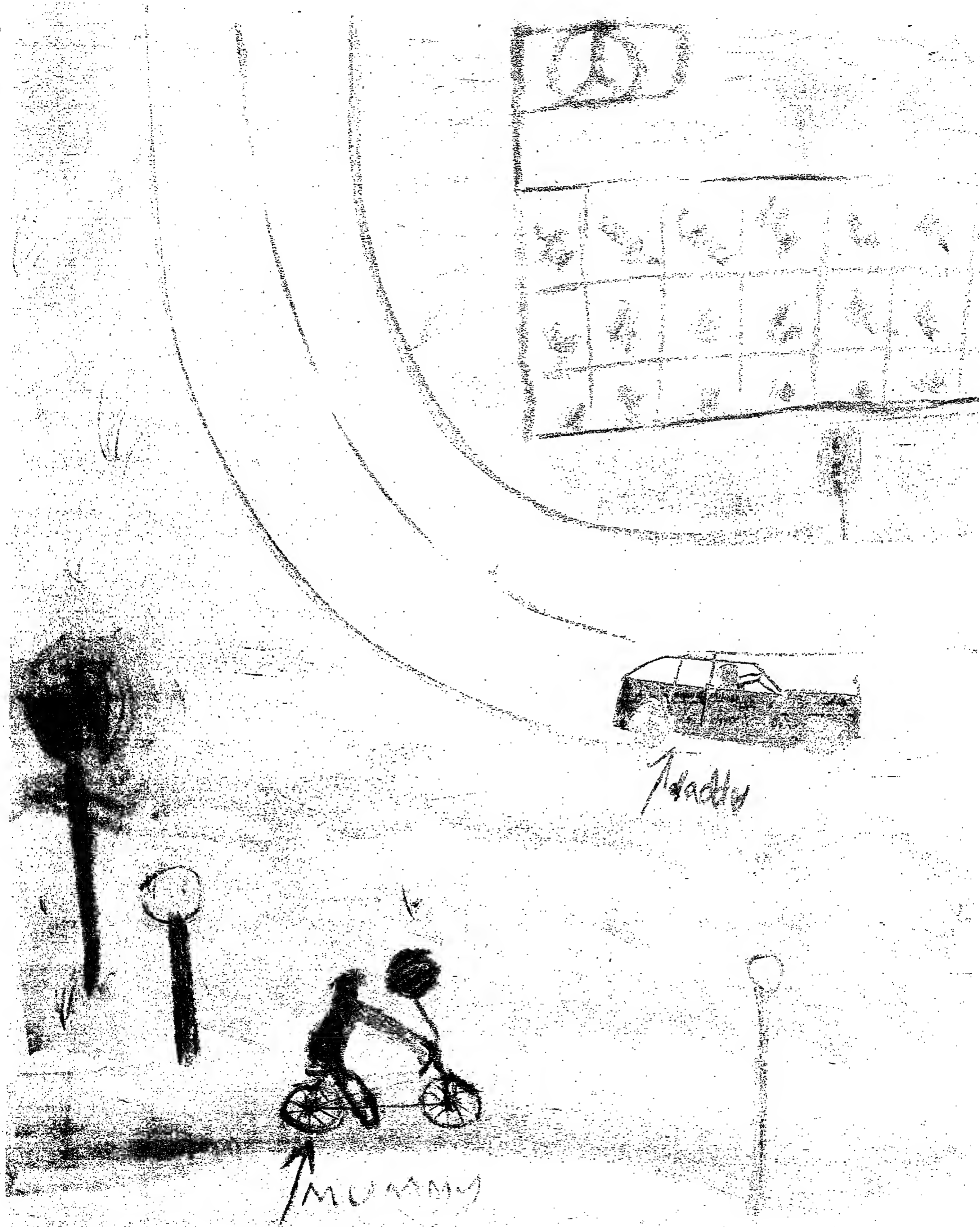
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my daddy going to work at Mercedes
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AGE 8

OVERSEAS NEWS

U.S. urges Zia to cut military emphasis in next aid request

BY SIMON HENDERSON

WIDE DIFFERENCES in view have emerged between Pakistan and the U.S. on the shape of a new military and economic aid programme being discussed to replace an existing \$3.2bn agreement which runs out in 1987.

The Government of President Zia-ul-Haq is hoping to acquire a range of sophisticated military equipment in the new package, while Washington is anxious to emphasise economic support.

Pakistani officials have expressed interest in advanced airborne early warning aircraft, the latest models of the F-16 fighter bomber, and conversion kits to make Boeing 707 passenger aircraft, at present operated by the national airline, into in-flight refuelling tankers.

The U.S. has argued that such purchases only make sense in terms of a possible confrontation with India. Intelligence officials say that Pakistan is working on the manufacture of an atomic bomb suitable for carrying by an F-16. In-flight refuelling would enable Pakistan to threaten targets all over India.

Pakistani officials deny any programme to make a nuclear bomb. India exploded a crude device in 1974 but any refinement of the device since then has been shrouded in secrecy. A senior U.S. official visited the sub-continent last month to urge restraint in both countries.

The present agreement between Washington and Islamabad was signed in 1981 and was intended to bolster Pakistan's defences following the Soviet invasion of neighbouring Afghanistan. Nearly two-thirds of the money being made available each year is being spent on military equipment, the major element of which is 40 F-16 aircraft.

Congressional critics of the agreement say that President Zia, who seized power in a military coup in 1977, has used the money to secure his constituencies in the various branches of the armed forces.

The air force has based the F-16s close to the Indian border and, according to U.S. officials, has never scrambled them to warn off Afghan or Soviet aircraft.



President Zia-ul-Haq

The navy received, amongst other equipment, Harpoon surface-to-surface missiles which greatly increased its potential against the Indian navy. (Afghanistan is landlocked.) At the end of last year Washington told Pakistan that it was not willing to supply Hawkeye early warning aircraft because it feared they would be used to identify targets for the navy's missiles.

The Pakistani army has received several hundred tanks and artillery pieces, most of which have been assigned to divisions along the border with India.

Officials in Washington say Pakistan presented a list of its requirements at a meeting in March. It was asked to work out the order of priority of its needs. The next meeting to discuss the issue is expected next month.

The U.S. concedes that Pakistan needs a few more F-16s, but hopes to persuade it to accept less sophisticated aircraft like the Northrop F-20 Tiger-shark as well. It is also trying to interest Pakistan in a so far unbuilt early warning aircraft based on the Lockheed Hercules. Rather than supply in-flight refuelling kits for Boeing 707s, Washington would prefer them to be used as military transports.

The U.S. is willing to increase the total size of the package but only in line with inflation.

SOVIET military involvement in Afghanistan has escalated noticeably since the accession to power of Mr Mikhail Gorbachev, the new Russian leader, undermining the chances of a peaceful settlement.

The November summit between Mr Gorbachev and President Ronald Reagan of the U.S. will almost certainly have Afghanistan high on the agenda, but the chances of an agreement leading to the withdrawal of Soviet troops are minimal.

The number of Soviet troops in Afghanistan has increased from 110,000 to around 150,000, according to guerrilla leaders. Damaged and destroyed military equipment is not only immediately replaced but also much improved.

Major offensives led by specially trained commando units of the Spetsnaz force have been carried out all over Afghanistan. The latest offensive, which began on August 24 in Afghanistan's southern province of Pakhtia, was primarily aimed at relieving the garrison at Khost.

Guerrillas of the Islamic resistance groups besieging the garrison close to the border

with Pakistan say that some 4,000 airborne troops were flown in for the operation from the capital, Kabul. A ground force of around 10,000 more Russian and Afghan troops mounted simultaneous attacks on guerrilla groups in the province.

The apparent aim of the operation was to relieve the garrison, destroy the strong guerrilla presence in the province and sever their supply lines into Pakistan. In the first days of the offensive the guerrillas suffered heavy losses but are reported to have regained the initiative.

Both the Russians and Afghans suffered a significant number of dead and wounded in the operation: as many as 1,000 dead according to diplomats in Pakistan. Dozens of military vehicles and several aircraft were destroyed by ground-to-air missiles.

The Soviet forces, having failed to close the border with Pakistan and sever the vital supply line to guerrillas in Afghanistan, and not being able to reach Khost by land, returned to Kabul on September 6, according to the guerrillas.

The operation against Khost exemplifies the frustrations faced by the Soviet army since

BY A SPECIAL CORRESPONDENT IN PESHAWAR

it invaded Afghanistan in December 1979. Despite massively superior firepower and numbers, the Russian and Afghan armies have failed to regain control of the countryside from the guerrillas.

In some districts, such as Khost, entirely isolated and besieged Government headquarters are maintained with the help of the army. Protected by tanks and mines, they have become military outposts and have little to do with the civil administration since there are few civilians around to administer. Most have either fled to Pakistan or moved to the mountains.

Soviet forces have their hands full keeping Afghanistan's cities under control. Security belts have been created around the country's major urban centres to prevent infiltration and sabotage by resistance fighters expanding. The population inside these "occupied zones" is subjected to constant searches and surveillance.

Nevertheless, cities such as Kabul, Herat and Kandahar come under frequent attack from guerrillas. Soviet forces are also reported to have stepped up their campaign against civilians who they believe are sympathetic to the resistance.

In one of the most recent acts of reprisal by Soviet troops, more than 600 civilians were killed in the eastern Afghan district of Jajm, according to refugees in Peshawar's refugee camps. They claim that the inhabitants of a small village in the district called Shaletak were executed and their bodies burnt.

The five-and-a-half-year-old war has also had a devastating effect on Afghanistan's predominantly rural economy. Vast tracts of agricultural land have been deserted by farmers fleeing the war. Soviet ground and air attacks make working in many fields unsafe. In many places, the population has either left the area or adult males are involved in the war either as Afghan army conscripts or with the guerrillas.

The previously-rich northern provinces have reverted to a subsistence economy. People only cultivate wheat and barley in order to meet their immediate needs. Even this activity has stopped in the areas surround-



lack of raw material. Factories in Mazar, which employed some 8,000 workers, are now reduced to 800, mostly administrative staff.

The large textile mill at Gubahar, north of Kabul, is receiving neither enough power (the power lines being constantly cut by the resistance), nor enough raw material to operate. The majority of the workers have left, the remaining few have become government militia guarding the factory building against Mojahideen attacks.

Afghanistan's irrigation system, the basis of agriculture, has been seriously disrupted.

Bombs dropped from the air or explosives thrown inside the karez (underground canals), have seriously destabilised the system. Some karezes have ceased to give water, while others are producing less than half of their normal capacity.

The war in Afghanistan is far from over in spite of the evident lack of political unity among resistance groups, the Soviet Union has failed to win popular support for the Kabul regime of Mr Babrak Karmal. They also seem unable to gain the upper hand militarily.

Cluff helps to keep the door open for a Chinese coastal city

BY DAVID DODWELL IN HONG KONG



WENZHOU MAY be one of China's 14 open coastal cities, but to most foreign businessmen, it is the back of beyond. It has no rail or air links with the outside world, and lies at the end of a bone-rattling 12-hour road journey from Hangzhou.

Not surprisingly, therefore, it has had problems in translating its open city status into real business links with foreign investors or trading partners.

To overcome the problem it has attempted an unusual solution. With nearby Ningbo, it has reached an agreement for Cluff Investment and Trading, a specially created subsidiary of Britain's Cluff Oil, to act as its international trading and investment agent.

For these two coastal cities in the fertile eastern province of Zhejiang this four-month-old agreement may provide a critical bridge in bolstering their economies.

For Cluff, whose work in China until now has been confined to an unsuccessful search

for offshore oil, it may lead to new and profitable business. The agreements also hold hidden dangers. Ningbo and Wenzhou risk missing deals that would otherwise have come their way.

For Cluff, the venture may founder after large sums have been spent taking foreign companies to visit the cities without any deals being struck. Most vulnerable are the finely

drafted "exclusive" rights Cluff negotiated as part of the agency deal. In the case of Wenzhou, Cluff will act as the exclusive conduit for business links with companies in the UK, Switzerland, Finland, Norway and Sweden.

In Ningbo, which has stronger links with the outside world, the agreement covers general co-operation worldwide, but exclusiveness is confined to the UK.

"Whether the agreement succeeds or not depends on how hard each side works at it," says Zhu Bing, general manager of the Wenzhou General Economic and Technical Development Corporation which is in formal terms Cluff's partner.

So far, while few deals have been concluded, neither Zhu, nor his counterparts in Ningbo, can complain that Cluff has not worked hard. Mr David Tang, who heads Cluff's operations in Hong Kong, has taken the roads to Wenzhou and Ningbo seven times this year, on most occasions with prospective British investors or trading partners.

He has also visited the cities with the Peking representatives of one of Britain's leading banks, the Midland. Perhaps inevitably with an arrangement for which there is no precedent, Cluff has been feeling its way.

"I started by drawing up a shopping list of the projects or ventures they said they were keenest to pursue," Mr Tang said, "but the more often I visited the two cities, the clearer it became that the lists were unrealistic."

"These municipal governments have only recently been given the power to deal with foreign companies, and have very little experience, so we have found ourselves doing very much more than just introducing them to prospective trading partners. It's proved to be a Herculean task."

Ningbo, on the other hand, has begun to loosen its bonds, as it found more businessmen arriving independently. Its closeness to Shanghai, and its excellent deep water harbour, have made it a more promising location for foreign investment.

It is beginning to benefit from the patronage of two prominent Chinese with ancestral roots in the city. Lu Xijiang, a close economic adviser to Deng Xiaoping, comes from Ningbo and has taken several opportunities to give an economic boost to his home town. At the same time, Sir Yue-Kong Pao, the Hong Kong-based shipowner and property developer, has committed \$20m to building a university in Ningbo.

Sir Y. K. Pao has close links with the British government, and has been keen to use them to Ningbo's advantage. He is now discussing the possible involvement of Britain's Devy McKee in a \$4bn steel plant.

Mr Lu Youquan, deputy director of the Ningbo opening up affairs office, says nine joint ventures were signed last year, and he predicts a further 20 will be concluded in 1985. He distances himself from Cluff by emphasising that its agreement is not with the municipal government but with a subsidiary of its economic development corporation.

He sees the Cluff deal mainly as a way of courting tardy British businessmen. "Many foreigners have come to the city since we opened up—first from Japan and Hong Kong, then from the U.S., Australia, South-East Asia and Western Europe. But we have seen very few British businessmen."

He throws cold water on the claim that Cluff has any truly exclusive rights from the agreement: "A British company is welcome to contact us without Cluff, but we hope that Cluff can be a bridge for British partners in the city. Cluff have come a lot of times in Ningbo, and have become old friends."

David Tang is nevertheless keen to build on the foundations laid down over the past year. Pretensions to an exclusive deal may now be misplaced, but Cluff has established close links with local officials, and a sound knowledge of the city's economic and trading potential. This gives the company a head start as Ningbo strengthens its commercial links with the outside world.



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UK NEWS

Kinnock plans rethink on public ownership

BY PETER RIDDELL, POLITICAL EDITOR

MR NEIL KINNOCK, the Labour leader, will attempt today to shift party and public attention away from his probable defeat at the party's annual conference on the reorganisation of the National Union of Mineworkers (NUM) for strike costs and fines towards a major reappraisal of policy on public ownership and employment rights.

A defeat on the reorganisation issue became more likely last night when the Transport and General Workers' Union delegation voted to maintain its policy of backing the NUM motion, though it will also support a national executive statement calling for a review of employment legislation.

The probable outcome will be seen as a rebuff for Mr Kinnock, although he hopes that his strong stand on the issue will earn public respect for his leadership. This is, however, at the risk of aggravating bitter divisions within the party.

The Labour leader has already come under criticism from previous soft-left allies on the Labour co-ordinating committee, which yesterday accused him of making comments about his veto on the contents of the party's manifesto (election programme) which were tactically inept and reminiscent of the Wilson/Callaghan era.

The miners' issue is dominating the conference, although yesterday delegates approved a major shift in housing policy to accept the right of council tenants to buy their houses.

The conference also called for a review of the possible state financing of political parties during general election campaigns and called for legislation to require companies

making donations to political parties to ballot shareholders beforehand.

The party leadership will this week seek to launch a series of policy reappraisals. In particular, the leadership will use Thursday's debate on public ownership to initiate a review of current policy on public

Labour Party conference at Bournemouth

ownership, leading to a shift away from the traditional post-war centralised corporations towards new, more flexible forms of ownership.

Mr Alan Tiffin, general secretary of the Union of Communication Workers, and Mr John Smith, the party's trade and industry spokesman, will be asked to prepare a statement for next year's conference.

At present, the only firm commitment is to take British Telecom back into public ownership, but there will be a similar pledge after British Gas is sold off.

The parliamentary leadership wants to avoid the wholesale rationalisation of privatised concerns but wishes to develop more flexible forms of ownership, including local and regional enterprise agencies and a nationalised body taking shareholdings in companies.

In parallel, the conference is this afternoon likely to approve a national executive committee statement setting up a review, in conjunction with the Trades Union

Congress, of industrial relations legislation. This will include the formulation of a policy on the return of funds seized or extracted from trade unions recent government laws.

Mr Kinnock will argue that this commitment should reassure supporters of the NUM without the need for any pledge to reimburse the union for all its costs and penalties incurred in the year-long strike, which ended last March.

The Labour leader is expected to make only a passing reference to this issue in his speech today, though he will stress the need to avoid passing motions which might jeopardise the chances of returning a Labour government.

He is, for example particularly concerned about a motion, due to be debated tomorrow, which pledges full compensation to local councillors for losses incurred as a result of non-compliance with the law.

This was narrowly backed by the national executive on Sunday against Mr Kinnock's wishes.

Efforts are now being made to swing trade union block votes against the motion and Dr John Cunningham, the party's employment spokesman, will oppose it. After meeting representatives of Labour's national executive committee late last night, Mr Arthur Scargill, the NUM president said that the union's position had not changed on its own motion. "We explained that our resolution is in line with existing party policy. We had an extremely frank exchange of ideas. We hope that in the light of our explanation the NEC will support our resolution."

Party leaders attack police but anger black group activists

BY MARGARET VAN HATTEN

THE FURY of last weekend's Brixton rioting spilled over into debates on police powers and black rights at the Labour Party conference yesterday - with Labour leaders attacking the police and black activists attacking the Labour leaders.

Mr Gerald Kaufman, shadow Home Secretary, in an unusually bitter attack on the police, singled out Sir Kenneth Newman, Commissioner of London's Metropolitan Police for condemnation. He should stop making party-political interventions, he said.

Chief constables outside London could do as they liked, tramping on the wishes of local people, as the miners' strike had shown only too well, Mr Kaufman said. It was unacceptable that police remained unaccountable to elected representatives.

Mrs Audrey Wise, speaking for Labour's national executive committee (NEC), was equally forthright in condemning the "untrammeled" powers of the chief constables. She further condemned the police shooting that provoked the Brixton riot: if it was an accident, she said, it indicated the inadequacy of police training at present.

"Why are there so many guns, and why are they so regularly used?" she demanded. "We need an unarmed police force."

Earlier, the NEC issued a statement condemning both the shooting in Brixton of Mrs Cherry Groce and the police shooting five weeks ago in the West Midlands of a five-year-old boy. It called for a full judicial inquiry into the police use of firearms.

"Scotland Yard's internal investigation into the incident cannot be enough to answer the serious questions raised," it said.

The sympathy and anger over Brixton of the official speakers was not enough, however, to appease anger among black activists over the morning's debate on black sections - the proposal for separate black groups within the party.

While resigned to their defeat by 5.3m votes to 1.17m - indeed, that was held triumphantly as a rebuff of support for black sections since last year - black activists were infuriated by what they saw as a patronising, contemptuous dismissal of their case by Mr Roy Hattersley, Labour's deputy leader.

A substantial part of the support for black sections appears to come from union block votes, from the public employees and railwaymen's unions.

The party chairman, Mr Alan Hadden, had no difficulty in selecting black delegates to support the party leadership against black sections.

The conference rejected moves to commit Labour to unilateral withdrawal from Northern Ireland. Delegates voted heavily against immediate withdrawal after an incoming Labour government after a warning from the national executive committee that such a course would risk a bloodbath.

Mr Alex Kilson, deputy general secretary of the transport workers' union, was persistently barracked, however, as he defended Labour's existing policy of Irish unity by consent.

MINISTERS EMBARRASSED BY CONFIDENTIAL REPORT

Housing needs £20bn facelift, says Government survey

BY ROBIN PAULEY

A SURVEY by the Government of Britain's 22m housing stock shows that it is in a much worse state than previously thought and would cost around £20bn to put right.

Ministers have been embarrassed by the findings of the confidential report and are now split over what to do about it. Some, such as Mr Norman Tebbit, Conservative Party chairman, and the Treasury ministers are anxious that it should be kept under wraps because it would both be an embarrassment at next week's Conservative Party conference and lead to demands for higher public spending.

Others, such as Mr Kenneth Baker, the Environment Secretary, have argued that it might be better to come clean by publishing the report and discuss a long-term strategy for private and public sector housing.

One of the factors causing ministers most concern is that a large proportion of the housing now identified as being in need of attention is post-war and the problems extend far wider than the notorious 1960s tower blocks of flats.

The report does not say that £20bn worth of housing needs to be replaced now. But it argues that the cumulative cost of delaying with housing that needs to be replaced, improved or repaired means that £20bn of housing capital expenditure will be needed over the next five to 10 years.

One of the reasons for this is the sharp cutback in housing capital expenditure since 1979. Many fewer council houses have been built and in most years there have been insufficient funds to allow all applica-



Mr Norman Tebbit: against publishing report

tions for home improvement grants. Much private sector housing has fallen below standard and much public and private housing in urban areas now requires external maintenance work, often including roof repairs.

The report also shows that although many of the housing problems are concentrated in the London boroughs other parts of the country now face enormous bills to bring their housing stock up to standard. Birmingham, Britain's second city, until recently regarded as being largely on top of the housing problem, is now shown as needing expenditure of about £750m in renovations, repairs and improvements. Leeds, Liverpool, Manchester, Newcastle, Sheffield all need between £500m and £1bn spending on the housing stock.

It had been thought that the extension of home ownership through the very successful programme of

council house sales plus easier access to mortgage and credit finance had led to large numbers of people improving and maintaining their homes. The survey shows, however, that many poorer tenants and older people in old property are allowing their property to deteriorate and many local authorities are not keeping up with repairs on council estates.

This report was a test survey to see what the state of housing was in advance of the 1986 House Condition Survey. There is now some doubt about whether the 1986 survey will occur. The survey is usually carried out every five years, the last being in 1981, but ministers have shown some reluctance about having another one.

Another embarrassment for the Government is that its findings closely mirror those of a similar survey carried out for the Labour-controlled Association of Metropolitan Authorities at the beginning of the year. That identified £10bn of work which needed to be carried out in the local authority stock alone in England. This comprised £3bn for non-traditional housing stock of the 1940s and 1950s, between £3.75bn and £5bn on industrialised and system-built dwellings of the 1960s and 1970s, £2bn for the pre-war stock and £1bn for urgent repairs to the post-war traditional council housing stock.

Local authorities have £5bn of accumulated cash from the sale of council houses and land which they would like to release on housing capital expenditure. But Treasury rules permit them to spend only a small portion of it each year.

Iran setbacks dash Talbot profit hopes

BY JOHN GRIFFITHS

THE FRENCH Peugeot group's decisions about possible future investment in its UK subsidiary, Peugeot Talbot, are now being made in isolation from whatever happens to the UK company's contract to supply cars to Iran, Mr Geoffrey Whalen, Peugeot Talbot's managing director, said yesterday.

The Iranian contract to supply Peugeot car kits, worth up to £100m a year, has been the subject of repeated disruption of payments as Iran has suffered mounting foreign exchange difficulties because of the weak oil market and the war with Iraq.

In announcing a sharp increase in Peugeot Talbot's first-half losses to £13.1m pre-tax earlier this month, Mr Whalen attributed it mainly to lost revenue from Iran and warned that it meant hopes of a profit for the full year had been eliminated.

Inevitably, there has been speculation over the viability of the overall UK business if the Iranian contract ran into severe difficulties.

Mr Whalen said yesterday that he felt the business would stay in being in spite of the war and pointed out that kit output from the Stoke, near Coventry, plant which produces them had already been cut from 1,800 to 1,200 a week to level off for an expected lower level of demand. A further 11,000 kits were to be shipped within the next few weeks.

However, this business now accounted for less than 20 per cent of turnover, said Mr Whalen, and "a fundamental decision" had been taken by the Peugeot parent that future investment decisions would be based solely on the subsidiary's performance in the UK.

The decision to invest in the 308 model now being assembled at Ryton, and to be unveiled at Motorfair later this month, reflected the fact that quality and productivity at the UK plant is now better than at Peugeot and Talbot plants on the Continent," said Mr Whalen. This was not a subjective view but was shown up in Peugeot group-wide monthly auditing procedures.

He said that the launch of the new 308 could produce "several hundred" more jobs at Peugeot Talbot (which at present employs about 6,000) particularly if a decision is made to export Ryton-built versions.

Mr Whalen said Peugeot Talbot, which has just changed its name from Talbot UK, expected to increase its share of new car sales in the UK to 8 per cent by the end of 1988, almost double its present level.

Lloyd's to set aside £58m for protection

THE AUTHORITIES of the Lloyd's insurance market were set yesterday to set aside up to £58m from the market's central fund of last resort to protect policyholders against the potential default of underwriting members.

More than 300 underwriting members of Lloyd's, who are among those hit by £130m of losses arising from their involvement with the Richard Beckett Underwriting Agency at Lloyd's, are resisting Lloyd's solvency requirements.

Each year Lloyd's requires that its members show that they have enough assets to meet their insurance liabilities from trading in the market. But those holding out against Lloyd's solvency test argue that their affairs have been mismanaged and are preparing legal action against a variety of Lloyd's companies.

The deadline for the solvency test closed yesterday and Lloyd's is expected to make an announcement today.

RETAILERS must beware of reducing their labour force, Sir Roy Griffiths, deputy chairman of Sainsbury's, the food group warned. They would be better advised to take a hard line on job creation.

"Cutting down on labour may be the ultimate false economy," he told the Institute of Grocery Distribution's annual convention. There was a danger that capital assets would not be applied efficiently; shelf space, for example, might not be used as productively as possible and customer goodwill could be disrupted because of lack of service at the checkout.

PASSENGER numbers at Dover, the busiest ferry port in Europe,

slipped again in the main holiday month of August, but freight traffic continued to grow, according to the latest figures from Dover Harbour Board.

For the first eight months of the year, the passenger total at Dover was 1.4 per cent lower at 9.7m. Accompanied car traffic last month was marginally down at just under 300,000, with a fall of nearly 2 per cent in January-August to 1.18m.

In the same period, lorry and trailer traffic showed a rise of 8.9 per cent to 518,700 units.

THE DUKE of Devonshire is making further sales from his enormous art collection, sending for auction some 300 old master prints, which are expected to raise £1m.

The collection is so vast that none of the 300 prints has ever gone on display to the public visiting Chatsworth House the Duke's Derbyshire home. Works by Rembrandt and Durer are among the prints to be auctioned by Christie's in London in December.

SOME British Airways flights from London's Heathrow Airport were delayed for up to an hour yesterday as engineers held a meeting to discuss pay and grade restructuring.

The meeting confirmed rejection by the 3,000 craftsmen of a restructuring package incorporating an unspecified pay rise for 1986 and 5 per cent for 1987.

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UK NEWS

INLAND REVENUE MOVES AGAINST CAPITAL TRANSFER SCHEMES

Tax avoidance plan clampdown

BY CLIVE WOLMAN

THE INLAND Revenue is cracking down on schemes which have been marketed by insurance companies to avoid capital transfer tax by applying the principles of recent House of Lords judicial decisions.

The Inland Revenue's new approach is explained in a letter to the Institute of Chartered Accountants in England and Wales (ICAEW) published yesterday. The letter covers several legally contentious areas of taxation, including the "bed-and-breakfasting" of shares, the transfer of assets between companies to make use of capital losses and the hive-down of companies in receivership.

On capital transfer tax, the ICAE said in a letter last July that the existing legislation contained wide anti-avoidance provisions. Where these applied it should be unnecessary to apply the more general anti-avoidance doctrine defined by the House of Lords' judicial committee 20 months ago in the case of *Furniss v Dawson*, the ICAE suggested.

In particular, the ICAE "sought confirmation" that the doctrine would not be applied against "inheritance trusts". These off-the-peg capital transfer tax (CIT) avoidance schemes, which have attracted nearly £2m from the public over the last four years, typically involve the passing of gifts and interest-free loans between a would-be donor and a trust whose assets are invested in a single premium insurance bond.

The Inland Revenue in its reply says: "While some of these (schemes) may be regarded as not open to challenge, others are, and cases will be going to the Special Commissioners in due course." The Special Commissioners of tax, who arbitrate on legal disputes, are considering some CIT schemes where a donor retains the right to the income from assets he has transferred.

The Inland Revenue has also said it believes the court rulings allow it to apply the new judicial doctrine to strengthen its claims even when

specific anti-avoidance legislation applies. The doctrine may also be applied when business assets are transferred between husband and wife to make use of capital gains tax reliefs on retirement.

The "bed-and-breakfasting" of shares and bonds, which involves their sale and immediate repurchase to establish a capital gain or loss, is given approval by the Inland Revenue letter. However, the bed-and-breakfasting of other unique assets, such as houses or antiques, remains vulnerable to attack.

The transfer of capital losses between different companies was considered the most important area by the ICAE. It suggested that the *Furniss* versus *Dawson* doctrine should not be used when a company is taken over for "demonstrably commercial reasons" and one of its subsidiaries has capital losses which are then transferred to the acquiring company to reduce its capital gains tax bill.

The Inland Revenue's response is that the new judicial approach

would not be applied against companies where the losses "were a relatively insubstantial element in the acquisition." But the "new approach" might be used in other cases depending on the scale of the losses, how long they had been kept within the group and the circumstances of the acquisition.

The commercially viable parts of companies in receivership, including their tax losses, are often hived off into a newly-created subsidiary which is sold as a going concern. A purchaser may then offset the tax losses against his taxable profits or capital gains. The Inland Revenue says that "the new approach may have some relevance" when little more than the tax losses are sold off but not when an entire trade or part of it is hived down and sold off.

The letter also deals with the application of the new approach to year-end stock adjustments, the setting up of UK holding companies to obtain group relief, charities, leasing and the payment of dividends before the sale of a company.

Stake in star wars discussed

BY PETER MARSH

BRITAIN and the U.S. are discussing a formula under which the UK could participate in President Ronald Reagan's Strategic Defence Initiative (SDI) by working on a technical package aimed at protecting Western Europe from Soviet missiles.

The package, which could be worth a total of \$500m to British companies, is one of a number of options under discussion between the Ministry of Defence in London and the Pentagon's SDI Organisation, the U.S. department responsible for the \$26bn programme, more popularly called star wars.

The new proposal has come to the fore in an effort by both countries to find a way to permit British companies to take part in the programme on a large scale.

Two months ago Mr Michael Heseltine, the UK Defence Secretary, asked Washington to agree to British contractors by about \$1bn to work on unspecified SDI projects, partly in return for political support from Britain for the overall goals of the programme.

U.S. officials turned down the request on the grounds that they

The Swiss Government said yesterday that Swiss companies could join in research for the U.S. Strategic Defence Initiative but added that involvement in making actual weapons would be subject to official control.

Responding to a parliamentary question, the Government said it could not object under its policy

of neutrality to Swiss commercial participation in SDI. The law on neutrality was binding only for the state, it said.

It added that a law which stated that arms might not be exported to "crisis areas" meant the Government would impose controls if research led to arms production.

Reuter

could not be seen to single out a particular country for such generous treatment. Washington has asked all its allies to participate in the star wars research, which is aimed at finding a strategy by the early 1990s to protect the West from nuclear attack. It is exploring other joint SDI programmes with Japan, Italy and West Germany.

Under the new proposal, British defence contractors could work on the specific goals of stopping Soviet missiles reaching Western Europe. That translates into a requirement to track and destroy warheads launched using short-range delivery systems such as cruise missiles, either from silos in Eastern Europe or from submarines.

The technologies needed to counter this problem are in many ways distinct from those required to safeguard the U.S. against the long-range Soviet missiles that threaten North America from silos 10,000km away in central Asia.

A package of the kind under discussion would give UK defence companies technologies to develop with which they are already familiar. For some years, scientists in space, Marconi and Plessey have studied the problem of tracking short-range missiles using novel space-based sensors and "battle management" software.

Devices needed to destroy missiles of this kind would feature rela-

tively tried-and-tested techniques such as "intelligent" guided weapons, rather than more exotic weapons such as laser or particle-beam guns.

Such a scheme could satisfy critics in Congress who might be dismayed at the awarding by the Pentagon of contracts to foreign companies to work on what is essentially a U.S. problem.

The discussion also fits in with the desire of the SDI Organisation to reorientate its studies to include Western Europe in any future defensive shield.

Lt Gen James Abrahamson, director of the organisation, recently instructed the five U.S. contractors, each working on \$5m contracts to design the overall "architecture" for an operational star wars system, to do more to ensure other Nato countries could benefit from a future anti-missile system.

The contractors, Sparta, Rockwell, Science Applications, TRW and Martin Marietta, have in some cases been in contact with British companies on how the latter could include their expertise in the project.

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Link-up for Nato helicopter study

By Lynton McLain

FIVE EUROPEAN countries, including the UK, have agreed to carry out a 14-month study to develop ideas for a medium-size Nato naval and battlefield helicopter. It is the NH-90, Nato helicopter for the 1990s project.

The decision will result in additional design study work for Westland, the troubled UK helicopter manufacturer at its factory at Yeovil, Somerset.

The UK, France, West Germany, Italy and the Netherlands are to spend up to about £1m each on the study by national aerospace companies. The companies joining Westland in the study are Aerospatiale of France; Messerschmitt-Bölkow-Blohm of West Germany; Agusta of Italy and Fokker of the Netherlands.

Up to 700 helicopters might be ordered eventually by the five countries for service between 1994 and 2000.

The study for the NH-90 is expected to involve a helicopter mid-way between the Westland 30 and the Westland Sea King. The NH-90 would be able to carry between 15 and 18 troops as a battlefield transport helicopter.

In the naval role, the helicopter could be used for anti-submarine, anti-surface vessel work or for maritime patrol. It would probably be flown from the so-called Nato frigates of the 1990s, the NF-90, although the type of vessel is only at the stage of a preliminary study.

The NH-90 helicopter project is one of four possible or actual helicopters that the UK Ministry of Defence (MoD), and some other Nato countries are considering for the entry into service towards the end of the century.

The MoD has an air staff requirement for a tactical battlefield helicopter, the ASH 494, to replace the Wessex and Puma helicopters in service with the British Army and the Royal Air Force.

Westland has proposed to the MoD that a military version of its civilian Westland 30 helicopter would be a suitable replacement for the Wessex and Puma, but the MoD is understood to be re-thinking its requirements and might consider a larger helicopter.

Westland and Agusta are at present building the EH101, a large helicopter to be powered by three U.S. General Electric T700 engines. That helicopter is likely to be ordered by the Royal Navy and the Italian Navy for anti-submarine duties. The EH101 is larger than the Sea King now in service.

Inner-city problems of investment highlighted by riot

BY LISA WOOD

THE FACT that riots occurred last weekend in Brixton, in the south London borough of Lambeth, rather than any of Britain's other inner city areas, is disturbing given the efforts that have been made to attract investment into the area and improve community relations with the police.

While Brixton does not head the Government's league table of deprivation, it is there, where there is a sizeable population of young unemployed blacks, that a spark such as Saturday's accidental shooting by police of Mrs Cherry Grace, a black woman, can kindle a fire. During the rioting petrol bombs were thrown, cars and buildings damaged by fire, shops looted and over 50 people injured. About 250 were arrested.

According to Mr Astel Parkinson, chairman of Lambeth police consultative committee, Brixton has become a magnet for outsiders who latch on to the genuine grievances being expressed by the local community.

"If local people had wanted to set Brixton ablaze on Saturday night, they would not have gone to the police station to protest against the shooting of Mrs Grace," said Mr Parkinson. "Those people were not among the looters. It is outsiders who see Brixton as the quickest place to set alight."

"Because the media concentrates on Brixton as a drug centre, every drug addict or pusher thinks he or she can come here and they do not give a damn for the local people. All the publicity given to Brixton attracts all these people."

Mr Parkinson is among those Brixton residents who have, since the more serious riot in 1981 devoted considerable efforts to improving their community.

"The consultative committee," said Mr Parkinson "is working to the best of its ability. We have forced the police to consider issues more effectively and quickly. The committee is the only public forum, in the borough of Lambeth where the police and the public can directly exchange their views."

The local divisional commander, Mr Alex Marriot, is committed to so-called "neighbourhood policing" with more policemen on the beat and the forging of local links.

Improving police-community relations has been a hard slog, but all the evidence before the riot was that relationships were improving. Speedy sensitive action had defused several potentially dangerous situations.

But for many of the local black youths the police are still the personification of a white society which they consider uncaring, if not hostile, and in which they find difficult to compete.

In Brixton, where black youth unemployment is estimated at over 50 per cent, these young people rub shoulders with residents of leafy Dulwich, to the south-east and suburban Streatham to the south.

"There is a wealth there that gets more and more inaccessible to these young people," said Mr Tim Bald-

win of the London Chamber of Commerce.

The London Chamber of Commerce runs a youth training scheme in North Southwark and Lambeth for some 200 young people with a catchment area which includes Brixton. "Many of these young people are at a tremendous disadvantage both culturally and educationally," said Mr Baldwin. "Trying to teach those skills which are marketable and giving people confidence to compete is a tremendous task."

The chamber, he said, ran a similar scheme in Acton, west London. It was difficult to quantify, said Mr Baldwin, but young blacks there appeared to have more confidence. Or, as one middle-aged black put it: "If you come from Brixton, people automatically think you are a criminal."

Inner-city areas such as Brixton, Toxteth in Liverpool and parts of Manchester still have little appeal to private investors, despite government attempts to attract them. Mr Jonathan Baldock is an investment surveyor at Inner City Enterprises (ICE), set up in 1983 by a consortium of pension funds and insurance companies to act as an agency to attract such investment.

Mr Baldock said, "there is a reluctance in private enterprise to go into Brixton and comparable areas. They do not see the growth potential or security for their investment."

Because of this ICE, a public limited company, is to develop in its own right and involve institutions collectively so that risk is spread. The hope is that it will become active in the inner-city areas.

The only recent major commercial investment in Brixton has been a joint £10m venture between British American Tobacco (BAT) and Lambeth council in the conversion of the former Bon Marché department store into workshops, recording studios and storage areas.

About 400 jobs will be ultimately created. At present, there are some 200 occupants, all on monthly rents with assistance on site by a BAT-paid manager. Fifty per cent of those involved are black. During Saturday's disturbances, none of Bon Marché's windows was smashed.

Lambeth generally, with a male unemployment rate of 27 per cent, has had a net loss of jobs since the 1981 riots. This is despite the valiant efforts of organisations including Lambeth council's own business advisory service, which last year helped create 800 jobs using money from the Government's urban programme. The programme is intended to assist areas with special local needs including Brixton, Liverpool and Birmingham.

This year Lambeth, whose capital grant from the Government has been cut, will receive £13.1m.

"In terms of applications for grants and the population in Lambeth, the area does quite well," said the Department of the Environment.

Credit business expands

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

CONSUMER CREDIT continued to expand rapidly in August, taking the total advanced through hire purchase and other agreements to a record £18.47bn, according to official figures yesterday.

This was 15 per cent more than the figure a year ago and underlines the way in which borrowing has supported the buoyancy of shop sales.

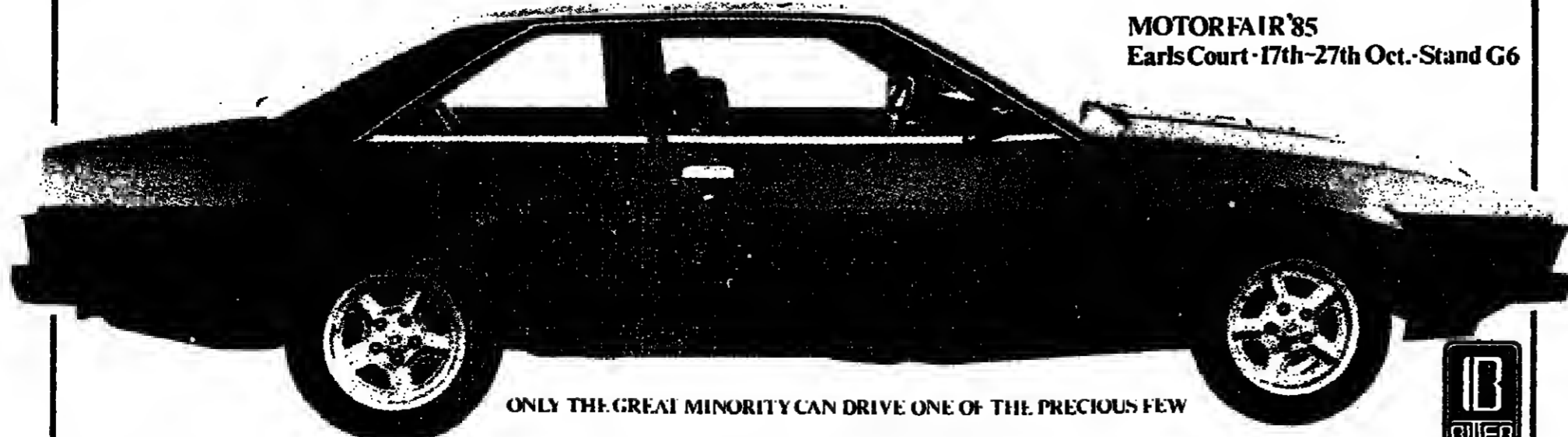
Separate figures yesterday from the Department of Trade and Industry showed that retail sales in August were 7 per cent higher in volume terms than the level a year ago, and about 1 per cent higher than the level in July.

In the latest three months the volume of retail sales was 2 per cent higher than in the previous three-month period, with general stores doing particularly well. Sales of household goods and of footwear and clothing were all up by 2 per cent in the latest three months compared with the previous three months (March to May).

Most economic forecasters believe that consumer spending will continue to help the recovery of the UK economy because the inflation rate is set to moderate while average earnings seem likely to continue to rise at least to the recent 7½ per cent per annum.

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GERMANY

UK NEWS

Lost merchant tonnage sets post-war record

BY ANDREW FISHER, SHIPPING CORRESPONDENT

SHIPPING casualties during the Iran-Iraq war led to a sharp rise in losses of merchant tonnage last year to the highest figure since the second world war, according to Lloyd's Register of Shipping.

Nearly half of the 2,350 gross tons of shipping lost in 1984, a rise of 181,500 tons over 1983, was attributable to the Iran-Iraq fighting, which accounted for 14 ships. Hostilities elsewhere accounted for six more vessels which hit mines off Nicaragua, in the Red Sea and off Angola.

The actual number of total losses, at 327, was the lowest since 1974, when the number was 311. The 1983 figure was 340. A total loss, Lloyd's said, was defined as a ship beyond recovery or broken up after becoming a casualty.

Lloyd's Register said that decisions were still being made on a number of ships still in the Gulf region, which could affect the final figures.

The jump in tonnage lost, though the number of ships was down, reflects the number of large oil tankers which ply the Gulf oil routes. It is in the northern end of the Gulf where ships are most at risk, with latest Iraqi attacks now focusing on Iran's oil terminal of Kharg Island.

The largest ship lost last year was the Minotaur, a Cypriot tanker of 189,400 gross tons and built in 1978. It was damaged 40 miles south-west of Beheha on the Iranian coast early in December and later sold for demolition in Taiwan.

A Greek tanker, the Ninemia, of 111,700 tons and the same age, was hit by a missile two weeks later and 36 people died.

Maxwell to sue over print deal collapse

BY HELEN HAGUE, LABOUR STAFF

MR ROBERT MAXWELL, the publisher, has announced his intention to sue the International Thomson Organisation over the collapse of a deal to buy the Witley Grove printing plant in Manchester.

His companies, Mirror Group Newspapers (MGN) and the British Newspaper Printing Corporation (BNPC), are to take legal action for damages against Thomson for alleged breach of contract over the planned sale of the site.

The deal by which BNPC had conditionally agreed to buy Witley Grove lapsed last week - the 1,700 employees at the site have been warned it might have to close by the end of the year.

After the deal lapsed, Mr George Dunn, chairman and chief executive of Thomson Witley Grove, said Mr Maxwell could face litigation over the affair.

Early last week, days before the recent lapsed, Mr Maxwell announced he had agreed manning levels with the print unions Sogat '82 and National Graphical Association (NGA) for the Manchester plant.

He claims, however, that the Thomson management had agreed to pay electricians an extra £25 a week on basic rates without consultation with either MGN or BNPC shortly before the deal was due to be concluded.

SHIPS LOST LAST YEAR

Category	No.	Gross tonnage
Unidentified	121	212,928 (185,197)
Explosion	4	15,767 (5,368)
Fire	57	384,729 (675,079)
Collision	35	85,990 (51,488)
Grounding	7	20,573 (14,074)
Weather	58	300,648 (428,373)
Leakage	1	1,204,228 (194,619)
Total	327	2,353,941 (1,472,817)

1983 figures. -- Lost category includes mainly war damage. Contact is with objects other than ships.

Source: Lloyd's Register of Shipping.

again the following day, while under tow. Altogether, eight ships of more than 100,000 gross tons were included in the lost category.

Lloyd's does not use deadweight tonnage (dwt), measuring maximum cargo weight, in its casualty figures. These would give the tankers about twice the tonnage shown under the gross tonnage used by Lloyd's Register, which measure capacity.

Despite the large volume of tonnage destroyed, the loss of life through merchant casualties was 172 people less than the previous year at 525. Only 5 per cent of these deaths were caused by hostilities - crews on modern tankers are generally small - with 60 per cent due to foundered vessels.

Lloyd's Register said that 131 vessels foundered in 1984, four more than in 1983. Nearly 40 per cent were 20 years old or more. The greatest loss of life occurred when a Philippine ferry and cargo ship, the Venus, sank in a tropical storm and 36 people died.

Company failure rate rises by 7.2%

By James McDonald

BUSINESS FAILURES in Britain continued at high levels in the first nine months of this year according to figures issued by Dun and Bradstreet, the international business information group.

Company liquidations totalled 11,388, 7.2 per cent higher than in the same period of 1984.

Bankruptcies among individual firms and partnerships, however, declined by 20 per cent to 5,081 compared with the same period last year.

In England, figures for the third quarter showed that London and the south-east continued to be the worst-hit areas, followed by the north-west.

In the first nine months of this year London and the south-east again accounted for more than half of the company failures in England.

The 5,423 liquidations were 16 per cent higher than in the same period of last year, but bankruptcies in the region fell by 35 per cent to 1,414.

The north-west accounted for 1,453 company liquidations in the same period this year - 13.7 per cent of the English total and 12.5 per cent higher than in the first three quarters of 1984.

Flour millers face famine within a feast

BY ANDREW GOWERS

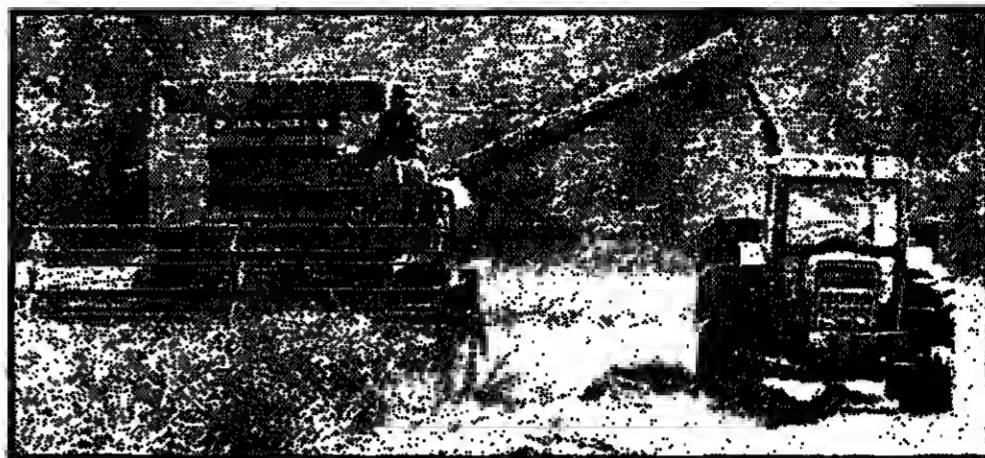
AMID THE feast of this year's bumper British cereals harvest, there is a peculiar famine, which has the country's flour millers more worried than at any time since the second world war.

Although the harvest is likely to be the second largest on record, the poor weather this summer has meant that much of it is not up to the standards required by the EEC flour milling industry and certainly not good enough for making bread.

Milling companies such as Bakers Hovis McDougall, Allied Mills and Spillers are scrambling to obtain wheat wherever they can, both from continental Europe and from beyond the EEC. Their costs are soaring as a result.

The bread flour industry estimates that its raw material costs might be about 52p - or 21 per cent - higher than last year. It is already clear that the price of a loaf of bread will have to rise by 3p or more before the end of the year, the largest single rise for a number of years. There might be a further increase before the 1986 harvest.

It marks a dramatic reversal from the situation last year, when British farmers brought in a record wheat crop, much of it of very good quality. Some 82 per cent of the wheat used by millers of all kinds of flour in 1984-85 was home-grown, the highest proportion yet. As recently as 1977, home-grown wheat accounted for less than half the national grain.



Britain's cereal harvest has been big but of poor quality

This year's troubles are an abrupt reminder that, for all the industry's efforts to cut its reliance on imported wheat, it will never achieve self-sufficiency.

"The industry really has been hoist with its own petard," said one executive. "We have virtually eliminated continental wheat and greatly reduced the use of third-country (non-EEC) wheat, as we were encouraged by everybody to do. But it makes us totally dependent on the quality of the UK crop."

The change stems from Britain's entry into the EEC in 1973. Until then, millers had been content to import large quantities of wheat from Canada and the U.S., which

can provide the high-protein varieties that they need.

But the high Community tariff barriers against imported produce gave the industry a great incentive to boost its use of home-grown grain. The millers were aided by the development of processing technology, which could make the long-lasting bread that the British market requires out of wheat with a slightly lower protein content.

This year, however, the vast bulk of Britain's wheat is of no use to them. The wet weather encouraged grain to sprout while standing in the fields. Enzymes thus released have broken down much of the starch in the plants that would nor-

mally stiffen dough for bread-making.

"The dough we would get by using poor-quality wheat this year would have the consistency of Christmas pudding," said one miller. "If it is really bad you cannot even get a dough - you just get porridge."

That means that, of a total 1985 UK wheat crop estimated at about 12m tonnes, considerably less than 1m tonnes will be suitable for bread. That compares with the bread flour millers' requirement of more than 3m tonnes. Much of the rest of Britain's harvest will have to be sold off cheaply as animal feed.

The shortage is affecting the millers in several ways.

They are having to pay more for what high-quality wheat they can obtain. The price of premium wheat in Britain was about £108 a tonne before the onset of the summer rains; it is now fetching over £137.

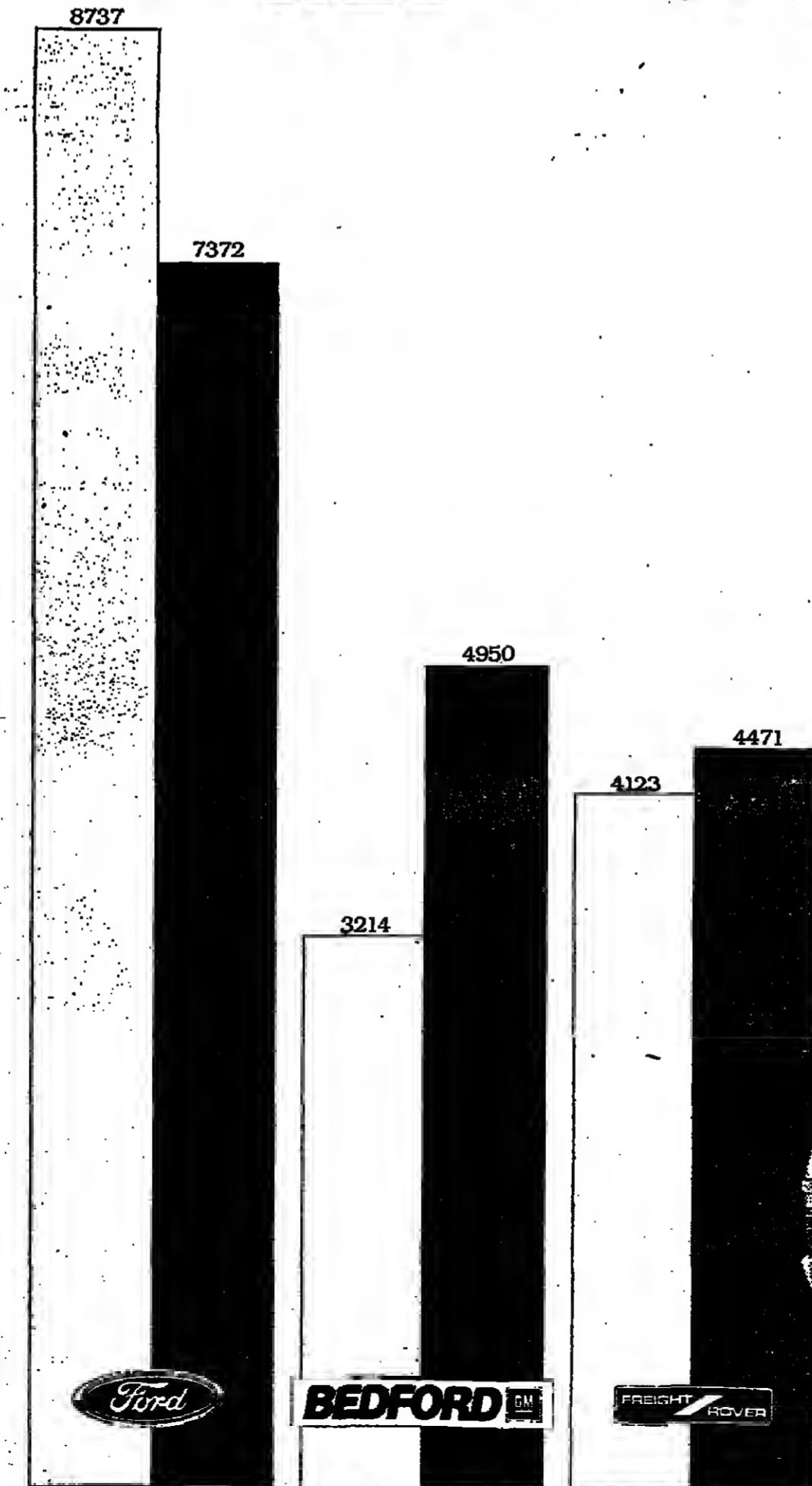
To supplement their UK purchases, the millers are turning to continental Europe and particularly France. They estimate, however, that each tonne of French grain they buy adds £10 to £12 to their costs.

More significantly, French wheat has a protein content too low to be acceptable to British bakers. As a result, millers are supplementing it with wheat gluten from Britain - another added cost - and with increased imports of Canadian grain.

Here, too, they have problems. The levies charged by the EEC on imports are punitive - about £72 a tonne on Friday, and rising as the dollar and world grain prices fall. In addition, the Canadians, who have not had a particularly good-quality harvest themselves, are not sure that they can deliver the full 1m tonnes that Britain requires. The U.S. seems to be in the same position.

In the end, the millers may find themselves - for the first time since 1977 - turning to Australia for wheat when its next harvest starts coming in this December.

HOW BEDFORD HAS EASED OUT FREIGHT-ROVER AND MADE FORD UNEASY.



*Source: Society of Motor Manufacturers and Traders. Cumulative registrations of medium vans up to 2.5 tonnes April to August 1985, against 1984.

There are long faces in some boardrooms.

Because registrations of medium vans of up to 2.5 tonnes from April to August 1985* revealed a startling trend in the order of things.

Those of the Bedford CF2 and the new Midi van pushed Freight-Rover into third place, while closing-up on Ford.

This trend is now so strong that August also shows Bedford in second place for registrations of vans of all types.

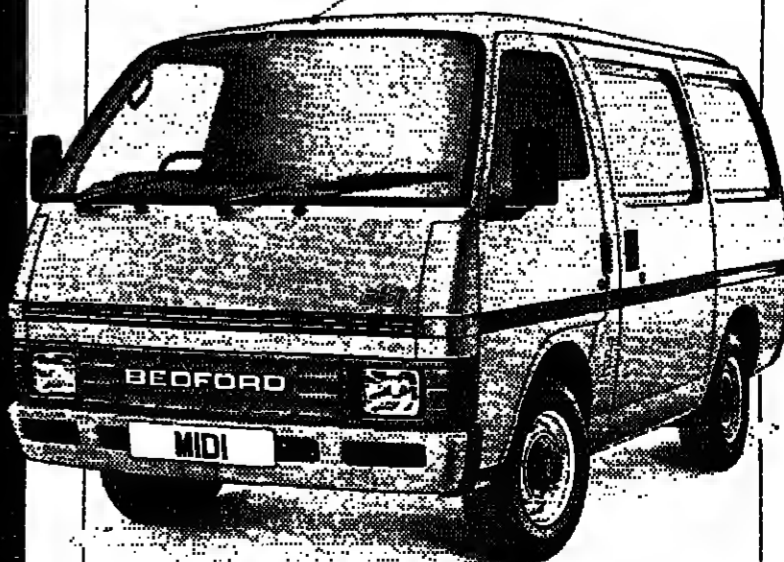
Interestingly from the launch in April, registrations for the British-built Midi beat and continue to beat those of a well-known German manufacturer and all those of Far-Eastern manufacture.

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TECHNOLOGY

EDITED BY ALAN CANE

Dataport adds to the Diplomat's bag

DIPLOMAT HAND-HELD data collection and transmission units made by Dataport of Tring, Hertfordshire, can now be programmed by the user.

Basically small communicating computers with liquid crystal green and miniature keyboard, these devices are increasingly used by sales forces, for example, in place of paper. A salesman can record his orders and transmit them at the end of the day to his company's central computer over a telephone line.

But like all computer-based systems, Dataport's Diplomat needs programming and until now the work has had to be done by professional programmers at the factory.

With the new package, called Fastcode, non-programmers equipped with an IBM personal computer can implement complex applications quickly. They can directly translate system ideas into complete, high-level programs that are easy to understand and can be rapidly modified when necessary. More on 04252 6634.

Shaft seal set to bring savings

Geoffrey Charlish on a product which promises a cheaper solution to a common problem in the fluid and mechanical engineering fields

AN IMPORTANT, cost-saving advance in the design of shaft seals looks likely to save the mechanical and fluid engineering industries millions of pounds a year.

The new seal, called RotaLion, comes from James Walker of Woking, Surrey, and is cheaper to install, consumes less frictional power and is less likely to fail, particularly under high speeds and pressures than previous designs.

Shaft sealing is one of engineering's commonest problems. It occurs wherever a rotating drive shaft has to pass through a dividing wall between air and liquid.

Frequently, the liquid is under pressure. Since there has to be some clearance between the shaft and its bearing surface for free running, the fluid leaks through. The point where the propeller shaft leaves the stern of a submarine is a good example. Pump and hydraulic motor makers have similar problems.

Since the early days of steam, solutions have ranged from packing an enclosing gland with flexible materials to using spring-loaded fixed and rotating mechanical components which close together to form a friction seal.

Better systems of this kind have depended on the development of new materials—the very low friction plastic PTFE (polytetrafluoroethylene) is a good example.

According to James Walker, however, there is little room left for material-based improvement while at the same time shaft speeds and the liquid pressures that have to be sealed off are on the increase. A new design was necessary.

After three years' work the company's research team was able to demonstrate a non-contact, virtually friction-free seal called RotaLion.

The design is based on the idea of maintaining a very thin film of liquid in the clearance between the shaft and a special plastic sealing ring, avoiding direct rubbing friction. This sealing ring consists of an inner, PTFE member and a flexible outer synthetic rubber ring providing a static seal on the outer housing around the shaft.

In the original design, a separately generated external source of fluid pressure was applied all round the outer rubber ring, producing an

inwards radial force and maintaining the thin film. This had the disadvantage that if the sealed-off liquid pressure changed, the external pressure also had to be changed so that it was still just in excess to maintain the inward force.

In the production design, the liquid pressure is itself used to compress the seal, by venting the cavity round the ring to the sealed-off liquid, through holes in the ring.

This does not, as might appear, equalise the pressure inside and outside the ring. The pressure in the thin film remains, on balance, lower, because there has to be a drop of pressure between the liquid side and the atmosphere side of the system. In practice, the drop slightly deforms the ring and produces a wedge shaped, film down the pressure gradient.

An important characteristic is that if liquid pressure changes, the pressure on the rubber ring changes in sympathy, making the unit self-compensating.

Although there has to be some slight leakage of fluid through the seal, it is small and largely independent of pressure and rotational speed. If leakage must be prevented altogether, the RotaLion unit can be followed with a conventional lip seal to atmosphere, which will only be required to work at low duty.

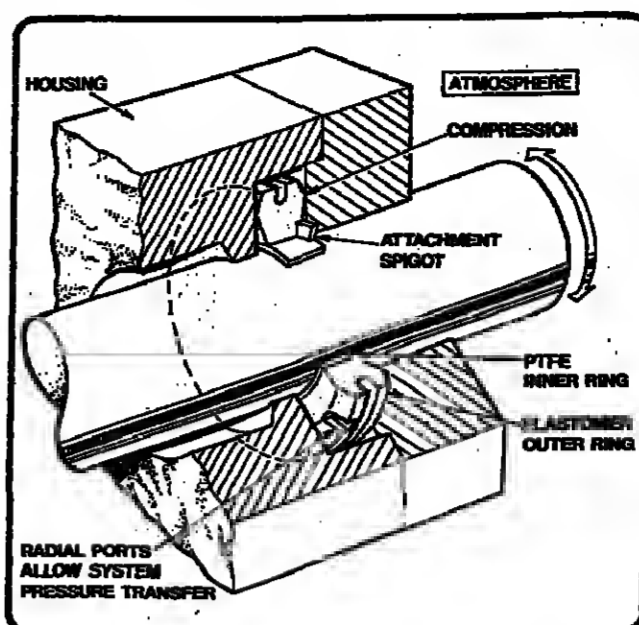
Since RotaLion is simple to install (one ring pressed into a housing), and relatively inexpensive, multiple seals can be used to give ultra-high levels of reliability. If the first seal under pressure fails, the next one down the shaft takes over.

When RotaLion has to seal against abrasive fluids like seawater, two seals are used and clean water is introduced into the space between them at a pressure exceeding the sealed-off pressure. This keeps the abrasive liquid out of both seals.

James Walker has produced some telling comparative test figures for a RotaLion and a conventional compression packing seal mounted on a 63mm shaft.

An initial advantage was that the length of shaft needed for the new seal was only 12mm, while the packing type needed 50mm. Whereas RotaLion took one minute to install, the other unit needed 15 minutes.

The new seal absorbed only



about half the power due to friction, the leak rate was only 150 mm an hour as opposed to 650, and the new seal ran at a steady 60 deg C, while the packed unit rose to 150 deg C.

In speed and pressure tests the older type overheated and failed at a pressure of 10 atmospheres and a shaft surface speed of 10 metres per second. RotaLion, on the other hand, continued to run satisfactorily at 50 atmospheres and a shaft speed of 20 metres/sec.

The company believes that

upper limits for the seal will be 100 atmospheres, 50 metres/sec (not necessarily at the same time) and a maximum seal temperature of 180 deg C. The limit on the particle size in the liquid is 40 microns (millionths of a metre).

RotaLion can be used on small pumps with 25 mm shafts, or on the giant 2.5 metre shafts of hydroelectric turbines. The company believes that with such a large potential market, it will be making several million of the seals a year by 1990.

Why the big screen needs better projection

Video & Film

BY JOHN CHITTOCK

Lighting from the projector. Imax performs quite well in this respect, but in terms of brightness is no match for the three-projector Cinerama system of the 1950s.

Realism in the cinema may

'If a blue sky on screen is really bright the effect can be pure magic'

depend more on this one quality of screen brightness than perhaps any other. If a blue sky on the screen is really bright—if the white crests of surf rolling on to the beach really dazzle—the effect can be pure magic.

The subject was raised earlier this year by one of Britain's

most distinguished film cameramen—Billy Williams—who, in a letter to the technical press, complained "It is rarely that the audience for whom the movie is made will see it at its optimum screen brightness."

Yet if the cinema is to win back audiences, especially from television, it must do it through the superlative quality of images and sound. This means not only bright pictures which are in focus, but an extraordinary list of other features. The illumination must be even, right into the corners of the screen. The optics of the projector and the glass in the projection box must be scrupulously clean, otherwise highlights will diffuse into shadow areas and degrade the contrast of the picture. The ambient lighting in the auditorium should not distract the audience nor cast stray light on to the screen where again the image contrast

may be degraded. The picture on the screen must be rock steady—which depends not only on proper maintenance of the projector but care in the treatment of prints (perforation holes become damaged or stretched and the film itself may need lubricating or other treatment).

In France, cinemas are able to display a Cinema Quality Label which certifies that independent engineers have checked—on a given date—everything which contributes to excellence in performance.

In Britain, it is not denied, by some people in the business,

that there is a reluctance to put too much emphasis on the role of the projectionist in case the unions press for higher pay.

Last week I visited three West End cinemas in as many hours by way of a spot check. Of the three, the Odeon in Haymarket—screening Ken Russell's *Crimes of Passion*—was the best; impeccable. Cinerama's number three auditorium, showing *Cotton Club*, yielded excellent picture quality but slightly boxy sound, an unnecessarily bright and distracting Exit sign within the field of vision, and sight lines which put two heads in front of me intruding slightly into the screen area.

For the third cinema, I went to the ABC, Shaftesbury Avenue, nominated by Thorne EMI as possibly their best in London for projection quality. The Dolby sound with *Amadeus* is indeed superb, and generally,

the 70mm picture quality is good. I was unable to diagnose a slight fluctuation in the evenness of screen brightness (a xenon lamp on the blink?), but to my horror I witnessed the ultimate sin—diffusion of the

'A trailer urges patrons to say if there are projection or sound problems'

image due either to a dirty lens or projection port; this jumps out at the discerning viewer on the reel changer from one projector to another (the projectionist may wish to know—it's the one on his left).

On the other hand, Thorne EMI, in particular and the

cinema industry in general are trying harder. At the start of the ABC programme, a trailer urges patrons to tell the manager if there are projection or sound problems.

Curious, though, that cinema still put the most expensive seats at the back of the auditorium, which is not the optimum viewing position. Usually this is near the middle where the eye subtends an angle with the screen roughly similar to the angle of the camera lens—thus reproducing the perspective as it originally occurred.

Great strides have been made in raising standards, but there is a consensus on the technical side of the business that more should be done. I have to admit, reluctantly, that after my whirlwind tour of cinemas, the quality of my late evening television viewing was almost comparable—brighter, cleaner, excellent sound, free from audience chatter—and deficient only in the size of screen relative to my viewing distance.

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The 'toll' of the Netherlands, 1654 (detail). Rembrandt country is Rabobank country. The country where traditions of excellence continue to flourish.

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BASILDON SURVEY

The above survey will appear tomorrow 2nd October

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Senior posts at Midland Bank

has appointed Mr Parry Rogers as non-executive chairman. He is the director of the Plessey Co responsible for personnel, train-

has appointed Mr Parry Rogers as non-executive chairman. He is the director of the Plessey Co responsible for personnel, train-

UER Overseas Finance N.V.

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of Section 301 (a) of ARTICLE III of the Indenture dated as of October 15, 1980, (the "Indenture") between UER Overseas Finance N.V. (the "Company") and Chemical Bank, as Trustee, (the "Trustee"), under which the above described Debentures were issued, the Company will redeem and the Trustee has drawn by lot for redemption on October 15, 1985, as required by the above-mentioned Section of the Indenture, \$5,000,000 principal amount of the above-described Debentures of the denomination of \$1,000 each, bearing the following serial numbers:

17	1575	3060	4618	6135	7619	9104	10589	12175	13665	15154	16646	18135	21671	23160	24735	26311	27898	29485	31072	32659	34246	35833	37420	39007	40594	42181	43768	45355	46942	48529	50116	51703	53290	54877	56464	58051	59638	61225	62812	64399	65986	67573	69160	70747	72334	73921	75508	77095	78682	80269	81856	83443	85030	86617	88204	89791	91378	92965	94552	96139	97726	99313	100900	102487	104074	105661	107248	108835	110422	112009	113596	115183	116770	118357	119944	121531	123118	124705	126292	127879	129466	131053	132640	134227	135814	137401	138988	140575	142162	143749	145336	146923	148510	150097	151684	153271	154858	156445	158032	159619	161206	162793	164380	165967	167554	169141	170728	172315	173902	175489	177076	178663	180250	181837	183424	185011	186598	188185	189772	191359	192946	194533	196120	197707	199294	200881	202468	204055	205642	207229	208816	210403	211990	213577	215164	216751	218338	219925	221512	223099	224686	226273	227860	229447	231034	232621	234208	235795	237382	238969	240556	242143	243730	245317	246904	248491	250078	251665	253252	254839	256426	258013	259600	261187	262774	264361	265948	267535	269122	270709	272296	273883	275470	277057	278644	280231	281818	283405	284992	286579	288166	289753	291340	292927	294514	296101	297688	299275	300862	302449	304036	305623	307210	308797	310384	311971	313558	315145	316732	318319	319906	321493	323080	324667	326254	327841	329428	331015	332602	334189	335776	337363	338950	340537	342124	343711	345298	346885	348472	350059	351646	353233	354820	356407	357994	359581	361168	362755	364342	365929	367516	369103	370690	372277	373864	375451	377038	378625	380212	381799	383386	384973	386560	388147	389734	391321	392908	394495	396082	397669	399256	400843	402430	404017	405604	407191	408778	410365	411952	413539	415126	416713	418300	419887	421474	423061	424648	426235	427822	429409	430996	432583	434170	435757	437344	438931	440518	442105	443692	445279	446866	448453	450040	451627	453214	454801	456388	457975	459562	461149	462736	464323	465910	467497	469084	470671	472258	473845	475432	477019	478606	480193	481780	483367	484954	486541	488128	489715	491302	492889	494476	496063	497650	499237	500824	502411	503998	505585	507172	508759	510346	511933	513520	515107	516694	518281	519868	521455	523042	524629	526216	527803	529390	530977	532564	534151	535738	537325	538912	540499	542086	543673	545260	546847	548434	550021	551608	553195	554782	556369	557956	559543	561130	562717	564304	565891	567478	569065	570652	572239	573826	575413	576999	578586	580173	581760	583347	584934	586521	588108	589695	591282	592869	594456	596043	597630	599217	6008
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Holders of the Debentures for redemption to the New York paying agent will be required to comply with the Interest and Dividend Tax Compliance Act of 1983 on or before the date of such presentation.

THE ARTS

Galleries/William Packer

The Louvre project

It was the long-awaited opening of the Musée Picasso, at the Hotel Sale in the Marais, that was the principal object of my visit to Paris last week, but my first evening found me within half an hour of arrival at the Gare du Nord, on the upper deck of a boat moored a little below the Pont Neuf, enjoying the hospitality of Mr. William Packer, and admiring the view.

The view was indeed remarkable, for the artist Christo had wrapped the bridge, even to its lamp-posts and only the carriage-way itself left clear, in yellowish stone-coloured canvas sheeting which the warm, low evening sun caught and emphasised. It was both hazy and oddly beautiful, and to judge by the crowds through which I had pushed to reach the boat, and the traffic jams along the Seine, to some Paris was as intriguing as I.

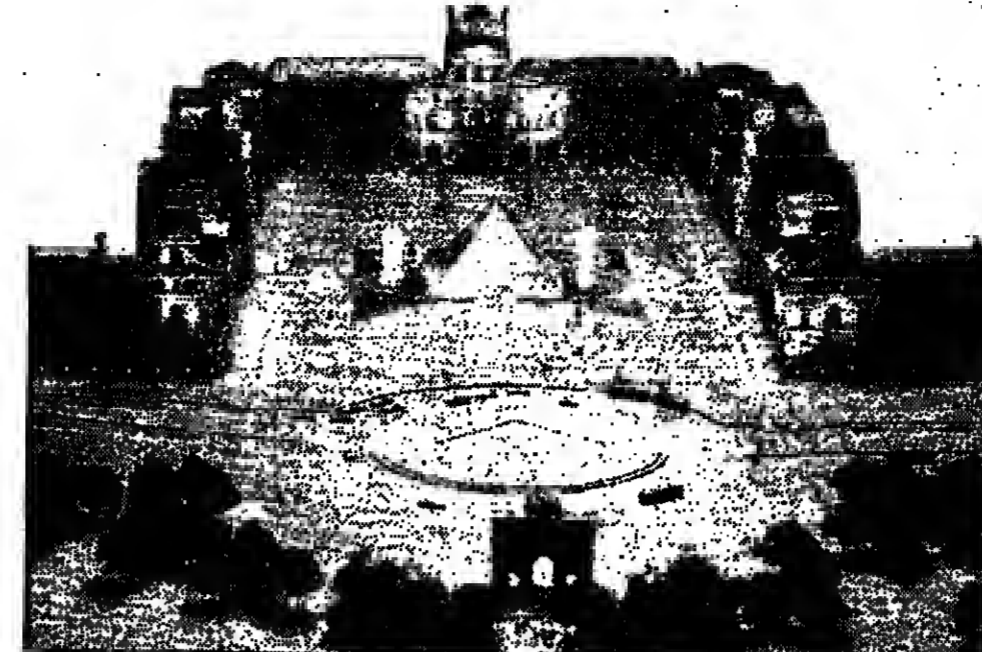
Christo is not the first with the idea, nor even the first to exploit in practice the surreal ambiguities of the wrapped form, but he is the first, by dint of inspired entrepreneurial persuasion, to make a career of such gigantic parcels. These projects, and so many more as yet unrealised, are familiar enough through copious documentation in drawing, collage and photo-montage, but the Pont Neuf is the first of his appropriations of architecture that I have actually seen. I must say that it fully disarms my own lingering scepticism that the event could ever quite live up to imaginative speculation and possibility. It is one of the duties of art to test and surprise our habits of perception and response; and the Pont Neuf in this state, thus hidden and revealed for another week or so, should not be missed.

It was, it so happened, a quiet time for Paris exhibitions, with the Ingres Portraits about to close at the Louvre, and the Grand Palais, and Le Brun at the Louvre — about to open within the fortnight.

But for one whose time must usually be taken up by temporary treats the chance to see something of more permanent collections is not to be missed, and I had not seen the impressionist collections in the Jeu de Paume, Moe's Nymphs in the Orangerie, and even the general collections of the Louvre itself, for far too long.

In the Jeu de Paume I fixed upon Manet's Olympia, one of the very greatest of all paintings of the nude which, by direct comparison, makes even his own Déjeuner sur l'Herbe next door, great as it is, seem spatially uncertain and unresolved. Upstairs is a wall of still lifes by Cézanne, and his woman with a Cofette, blue and brown and solid as rock. And there too are the five Rouen cathedral in different effects of light, smaller than I remember them, which false recollection was only perhaps a function of their innate monumentality. Another time, another choice.

I had the two large oval rooms of the Orangerie and the



Model of the Louvre showing the proposed glass pyramid

of the Cour Napoleon and the long view of the Louvre from the Tuileries Gardens; has naturally stirred up a great controversy; but the die is cast and the work well advanced. I shall leave all architectural comment to my colleague, Colin Amery, save only to say that any public misgivings hardly inhibited the erection of Mr. Siffert's Tower of our own Richard Rogers's Centre Pompidou, or even Louis Napoleon's own remodelling of the Louvre a little over a century ago.

For the moment, both the Cour Napoleon that opens on to the Place du Carrousel, and the enclosed Cour Carrée, are vast building sites, full of the noise and clutter of construction, and desperate archaeological excavation just in advance of bulldozer and cement mixer. Armed with my *laissez-passer* and a white helmet, I penetrated these *chantiers* to peer down some 30 feet into the pit in the Cour Carrée at what remains visible of the enormous footings to the towers of the fortress which Charles V built in the 14th century, and which are to be incorporated into the present scheme. And I walked the gangplank above the trenches in the Cour Napoleon, where the patchwork of medieval cellars and foundations is now laid bare, and given an artificial elevation by the great pit which surrounds and encroaches upon it by the day.

And so the Centre Pompidou, but not for any single exhibition just in advance of bulldozer and cement mixer. Armed with my *laissez-passer* and a white helmet, I penetrated these *chantiers* to peer down some 30 feet into the pit in the Cour Carrée at what remains visible of the enormous footings to the towers of the fortress which Charles V built in the 14th century, and which are to be incorporated into the present scheme. And I walked the gangplank above the trenches in the Cour Napoleon, where the patchwork of medieval cellars and foundations is now laid bare, and given an artificial elevation by the great pit which surrounds and encroaches upon it by the day.

The Phantom of the Opera

Charlotte Keatley

The Contact Theatre, Manchester, opened its autumn season with a splendid example of music-theatre performed by an exceptionally strong ensemble of singer-actors. The script is Ken Hill's version of Gaston Leroux's gothic novel, premiered at Newcastle Playhouse. The musical score has been arranged by Mark Vibrams, who has added some flashes of inspired pastiche. Tony Clark, artistic director, directs with a shrewd respect for the sentiment of melodrama, plus a choreographic flair which animates the arias, confessions, and resolution stages of the second half which the Victorians believed to be essential for a good night out.

The powerhouse of this production is a performance style of absolutely stalwart emotions — no one draws a hand across the brow without convincing fear or pathos motivating the action. Such sincerity is crucial if melodrama is to take a contemporary audience to its grips. The humour lies not in the performance but in the gap between the stage world and ours. Contact Theatre's production is frequently hilarious but also succeeds in closing the gap at times, transporting us into the 19th century megalomania of extreme morals and emotional extremes, inducing laughter on the one hand (or at least sighs) the next.

Our suspension of disbelief is sustained and serenaded by a pair of lovers (Jane Lancaster and Brian Shelley) whose heart-tugging conviction carries off lines which even Hammer actors must have found difficult to deliver without uttering. Peter Guinness brings subtlety and gravity to the part of Richard, and Fintona Fontaine plays his eccentric sidekick with superb comic timing. But it is unfair to single out individuals in an ensemble whose sense of comic invention (never resorting to sending up the script) is like a firework thrown from hand to hand.

Sue Pearce's split-level set of balconies and alcoves, curtains and footlights, evokes back-stage vaults of the Paris Opera, through which this ghost-story cum romantic-opera hurls with appropriate swirling of cloaks, opening of trap doors and spectral effects. Including a gloved hand which crawls about on a desk and writes letters. It is interesting to note that in today's technological world, the audience is awed by simple tricks of conjuring rather than the ghostly voices and invisible violins which would have stunned a turn of the century audience. Mark Vibrams adds a flamboyant theatricality to Contact's dauntingly functional theatre space. Tony Clark has ousted the proscenium arch and opened up the impressive width of Contact's stage but he has yet to crack the problem which comes with this, of cavernous surrounding space which does not enhance his close-focus style of direction. However, the vivacious presence of theatre music which is not merely wallpaper but a character in itself counteracts any empty corners in this production. Mark Vibrams, who also directs the excellent operatic numbers, and Alison Carver on percussion, turn out the most athletic performances of the evening. Music becomes the emotional hammer, guiding the audience's reactions and tempering the mood on stage. The musicians are not buried in a black pit but incorporated into the stage design. The message of this gesture sums up the achievement of Contact's production: the aural and visual elements are to be valued as highly as the literary elements, thus subverting a traditional prejudice in British theatre with spectacular proof in the production.

Washington NSO/Festival Hall

Max Loppert

The third and final concert by Rostropovich and his National Symphony of Washington, on Friday, gave Jon Kimura Parker, most recent Leeds prizewinner, an opportunity to tackle the Chaikovsky Piano Concerto in London. Mr. Parker, as has been pointed out on this page before, is an extremely well-schooled, powerful young player, the physique is that of a keyboard lion, and it enabled its owner to bring off all the physical test-points of the concerto with immaculate, pinpoint precision.

What made the performance so peculiar was its almost complete innocence, of anything like personal stamp. All the executive mannerisms, down to the most carefully firmed-down plianciness and melodic wranglings in the slow movement, seemed to have been garnered elsewhere and swallowed whole without so much as a digestive tract or hiatus. In its way, the very calmness carried a certain curious appeal; but it did pose questions about Mr. Parker's potential for development as an artist.

Conductor and orchestra, having followed the young soloist with devotion if not always sufficient quicksilver energy, then came into their own with the Shostakovich Tenth Symphony, in a performance which served to show off Rostropovich's new maturity as a conductor (none of the carnival tricks of musicianship that married his London Chaikovsky cycle a few years ago) and likewise the good quality of his players (even if the wind section lacks the distinct character found in first-rank orchestras, it was able to sustain strongly the

EMAS/Almeida Theatre

David Murray

EMAS is the Electro-Acoustic Music Association, dedicated to the electronic extension of the possibilities of music. On Sunday it presented the American flautist Nancy Ruffer, well known for her committed expertise in new music with an eight-track tape machine. For variety there were two pieces for tape alone, as well as two just for solo flute — though those last taped the more interesting. Only Steve Reich's recent 1971 *Counterpoint* (primitive flute to tape with comparable strictness, and in Reich's kind of music the bright rigour is half the charm. On his tape there are 10 other flutes, rotating a typically sprightly fragment or two — hundreds of times — over a chugging rhythm, with a shorter-pulsed coda. The live performer climbs aboard and joins in, adding a fresh repetitious voice first on C flute, then alto, then piccolo and round again, in an engaging piece that doesn't outstay its welcome, though the solo flute is kept modestly subservient.

Everything else was more interesting. Only Steve Reich's recent 1971 *Counterpoint* (primitive flute to tape with comparable strictness, and in Reich's kind of music the bright rigour is half the charm. On his tape there are 10 other flutes, rotating a typically sprightly fragment or two — hundreds of times — over a chugging rhythm, with a shorter-pulsed coda. The live performer climbs aboard and joins in, adding a fresh repetitious voice first on C flute, then alto, then piccolo and round again, in an engaging piece that doesn't outstay its welcome, though the solo flute is kept modestly subservient.

Marie Hayward Segal/Purcell Room

Rodney Milnes

Marie Hayward Segal operates under a certain disadvantage as a song-realist in that her method of voice production favours breadth of line and evenness of tone at the expense of consonants and differentiation of vowel sounds. However, admirable the voice itself may be — and it is, bright, clear, and firmly focused — it is wearisome to sit through a song without having the remotest idea (save for a clue in the title) even what language it is written in.

Miss Hayward Segal has made her mark in Wagner both in Germany and at the Coliseum, and it was in the Wesendonk Lieder in the second half of last Friday's recital at the Purcell Room that she was heard to best advantage. Many a phrase was spun with real imagination and musical insight, the long lines floated on a variable breath control, the feeling for the whole never lost in the search for detail. Every now and then when it suited her, usually when singing below the centre of the stage, the odd word emerged.

In Liszt's three songs from *Die Lorelei*, also big romantic stuff, her sense of line and musical shape was just as satisfying, yet here again one wanted rather more variety of timbre and dynamic to complement and heighten her natural gifts. It is easy to see why her voice has been admired in Germany, where volume and tonal sumptuousness count for a lot, and just as easy to see how more resourceful use of interpretation and nuance could make her a singer of real distinction.

Gerard Schwarz/Barbican Hall

Dominic Gill

The biographical notes describe Gerard Schwarz as one of America's finest and most successful conductors, and Pierre Amoyal as "certainly one of the leading violinists of his generation." Their performance together of Chaikovsky's violin concerto with the London Symphony Orchestra on Saturday night put a certain piquant strain on the biographer's judgment.

Mr. Schwarz, who last year was appointed principal conductor of the Seattle Symphony Orchestra, brags time well enough in a solid, predictable and somewhat academic fashion; but his direction has an originality, and a little of what one is accustomed to call a conductor's "presence." M. Amoyal's conception of the Chaikovsky concerto was perhaps not as deeply unremarkable as Mr. Schwarz's; underneath the very tense and over-practised surface of his reading there were some nice, often eccentric personal touches. But the highest flights of virtuosity (and Chaikovsky was not sparing) remained stubbornly beyond him. The virtuosity which he himself offered for the finale was so fast that he could do little more than hang in there and hope for the best.

Mr. Schwarz and the LSO began with Shostakovich's symphonic poem *Chut! le Rossignol*, which sounded like a very decent read-through, and for all I know may have been just that, as a fully fledged performance it lacked any depth of texture or originality of colouring. By the time we reached Beethoven's fifth symphony the audience had got tired, and had stopped applauding every movement. Perhaps they too realised that it was the kind of performance which the LSO, seasoned professionals that they are, could have played in their sleep, texturally shallow, rhythmically acid, and in which absolutely nothing, beyond a recitation of the notes, happened at all. A very puzzling evening: is this sort of thing a part of the LSO economy drive?

Miss Julie/Liverpool

Martin Hoyle

In the programme a photograph of the young Michael Redgrave and Rachel Kempson outside Liverpool City Hall, where they met and consolidated their careers, heralds the stage debut there of one of their granddaughters 50 years later.

The sentimental digression is inevitable. Joely Richardson has the family height and the gentle spiritual strength of her mother, Vanessa Redgrave. Strindberg's bewildered heroine, part prey and part predator, finally drifting helplessly in a socio-sexual vacuum of her own making, is a baptism of fire for a young actress just out of Rada. As yet Miss Richardson is a touching victim though unconvincing the emotional addict. This Julie's imperiousness stems from the caprices of a little girl lost; she makes an unlikely tormentor.

Julius Wright has set Michael Meyer's translation in Edwardian Ireland. The pedant cavils at the reference to count, therefore, should be *Lady Julie* or *The Hon. Julie*, taking us into Mitford country — love in a cold climate indeed.

More seriously, the rigid class distinctions now ring false. In the quasi-colonial setting this production implies an English master-servant relationship was more flexible than in Continental Europe, as befitted generations of children lovingly reared by nannies, analysts or governesses. Distinctions were served and served were, and are, sharper elsewhere. Jean's circumlocutions about his humbleness merely sound foreign.

Ultimately, the hazy ambiguities of Anglo-Ireland are irrelevant, though they provide a context for Miss Richardson's luminous pathos. The unyielding, seat-of-the-pants feel, and their light illuminate Veronica Quiglan's Christine, self-possessed mistress of her carefully delineated territory, depicted with Miss Quiglan's fragile, sulky intensity.

Michael Feast's John (sic) is a man of letters and an intelligent portrayal. His broad Irish accent ill accords with a former wine-waiter in the best hotel in Paris; his sophisticated catering ambitions surprise in Somerset. But these faults lie with the producer. The central trio, likeable, sensitive and still developing, redeem a production idea not entirely thought through.

A BERRY, A SEED AND A ROOT STEEPED IN HISTORY

Juniper berries from Northern Italy, coriander seeds from England and angelica root from Flanders. These are what impart such delicate characteristics to Beefeater gin.

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THE GIN OF ENGLAND

Arts Guide

Music/Monday, Opera and Ballet/Tuesday, Theatre/Wednesday, Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Sept 27-Oct 3

Opera and Ballet

LONDON

English National Opera, Coliseum: Further performance of the new Orpheus in the Underworld — the talking-point at which, for good or bad, is the crucifixion of visual ideas by Gerald Scarfield. Also this week: Rigoletto and Così fan tutte, both slightly below-par revivals of previous ENO hits. (838 3141).

Sadler's Wells, Rosebery Avenue: Sadler's Wells Royal Ballet in a varied season, including Giselle in Peter Wright's excellent staging and a new ballet by Derek Deane.

PARIS

Berlioz's La Vierge Storie conducted by Sylvain Cambreling, in a new production coproduced with the Teatro Comunale di Firenze and Chicago's Lyric Opera, this work, where the crowd is one of the principal protagonists, opens the season at the Paris Opera (266 0229).

Classical Indian Dances as part of Année de l'Inde at the Théâtre du Rond Point (256 7080).

WEST GERMANY

Cologne, Opera: To commemorate Handel's 300th anniversary, Agrippina is offered with Günther Kamen and Barbara Daniels. Lucia di Lammermoor convinces thanks to Lucia Aliberti outstanding in the title role. Turandot is respectable with Kathryn Monigomery-Meisner and Ernesto Veronelli. (267 61).

Frankfurt, Opera: Die Trojaner is again offered this week. It has Gail

Gilmore, Rachel Gettler and William Cochran as leads. Dido and Aeneas is conducted by Michael Boder. Glaziers Jones and Valentin appear in the main parts. (256 21).

Munich, Bayerische Staatsoper: Macbeth has fine interpretations by Elizabeth Fritzsche and Peter Capucchi. Die Lustige Walzer von Windsor is a well done repertoire performance. Ariadne auf Naxos is worth a visit, starring Waltraud Meier, Julie Kaufmann and Sabine Hest. At the well cast with Bruno Baglini, Julia Varady and Piero Cappuccilli. Schönberg's rarely played Moses and Aaron closes the week.

ITALY

Milan: Stabile Italiano Ansaldo (Via Begonia 34): Luigi Nono's opera promette, conducted by Claudio Abbado, (alternating with Roberto Cecconi) with the Warsaw Orchestra and Freiburg Choir (under the aegis of the Scala — but performed in a hangar belonging to the engineering company). The opera had its world premiere last September at the Church of San Lorenzo in Venice. (80 91 28).

Rome: Teatro Orione (Via Tortona 3): A new young company Nuovi Vini Nel Mondo directed by Antonietta Stella with a series of old favourites: La Bohème, Madame Butterfly, Rigoletto. (77 89 90).

SPAIN

Madrid, Real Madrid football stadium: Open Air concert. Free entrance, organised by El Corte Ingles, presents Luis Cobos conducting the Royal Philharmonic Orchestra with popular Spanish music: Pasodobles and Zarzuela arranged by Cobos. American Robert Mandell will conduct orchestra to accompany Spanish tenor José Carreras. Repertoire will include West Side Story, Spanish ballet dancers, arranged and choreographed by Carl Davis. (Tue).

NETHERLANDS

Utrecht, Stadschouwburg: The Netherlands Opera launches its new season with a double bill, Zerkow's Der Zwerg and Delloppicola's Il Frangione directed by David Allen. Sets and costumes by Frank Raven. Edo de Waart conducting the Netherlands Philharmonic, the Opera Choir under Johannes Mikkelson. Casts headed by Neil Rosenheim and Thea van der Putten, and Els Belkessim and Jan Derksen (Tue). (31 92 41).

Rotterdam, Luxor Theatre, Camerata Amsterdam with Handel's Acis and Galatea directed by Michelle Henry and conducted by Chris Farr (Tue). (133 32).

Rotterdam, De Doelen. The Doelen dance week. Mon: Penta Theatre with Lucky Linda choreographed by Mark Steinkamp, and Wiegand by Henk Koning. Tue: music by Mussorgsky and Tchaikovsky. Wed: Scapino Ballet with the Radio Philharmonic conducted by Christel Linkens and Carpy (matinee). In addition with works by Ed Wubbe and Nils Christie (evening). Thur: The National Ballet with Adagio Hammerklavier and Three pieces (Hans van Manen) and La Valse (Baklanoff). (14 29 11).

Amsterdam, Schiedamschenburg. The Netherlands Dans Theater with A Brahms symphony by Lar Lubovitch, and Jiri Kylian's Heart's Laboratory (Schiedamschenburg/Dvořák) and Dream Dances (Berio) Mon to Wed. (24 23 55).

VIENNA

Stadstheater (324 28 55): Donizetti's Maria Stuarda conducted by Fischer with Baltsa, Gruberova, The Barber of Seville conducted by Zedde, Smetana's Die Verkaupte Braut conducted by Kout with Popp, Lotte Rysanek, Ridderbusch; Die Entführung aus dem Serail conducted by Schirmer with Ghasarian. Volksoper (324 28 57): Die Fledermaus conducted by Eusei-Theater Wiener Blut; Mitternachts Der Bettelstudent; Der Zigeunerbaron; Lortzing's Der Widschitz; Smetana's Die Verkaupte Braut.

Saleroom/Antony Thorncroft

Devonshire sells prints

The Duke of Devonshire, through the trustees of the Chatsworth Settlement, is selling off works of art at Christie's auction, in July 1984, Christie's sold 21 Old Master drawings from Chatsworth for £21.2m. This time he is offering around 300 Old Master prints at auction in London on December 5. A cautious estimate of "in excess of £1m" is expected for the prints.

The Trustees are covering themselves against charges of dispersing the national heritage by offering the British Museum eight major items, seven prints and one portfolio of prints, outside the sale. The museum is considering whether to accept this offer, which could cost it around £250,000.

In general prints are much less expensive than drawings because they usually exist in considerable quantities; only one of those on offer, a monotype of around 1643 of The Creation of Adam from over 20,000 prints at Chatsworth. Many new artist records will be established, and the quality, provenance, and rarity of the prints should ensure that the trustees benefit by a sum far in advance of Christie's estimate.

The prints probably arrived at Chatsworth in the early years of the 18th century and have never been on display to the public.

CANADIAN BUSINESS

Bernard Simon reports on the effects of a shift in control of the Thomson empire
ITO to steer clear of uncharted waters

A NEW generation of managers is trying to bring a sharper focus to International Thomson Organisation (ITO), the conglomerate stitched together in 1978 to oversee the travel, energy and some of the publishing interests of the Toronto-based Thomson family.

The chief executive's job passed, earlier this year, from Sir Gordon Brunton to 50-year-old Mr Michael Brown, and the group has moved its main business office from London to New York, though the nominal head office remains in Toronto.

With Mr Brown at the helm, ITO seems set on a course which will give it a less entrepreneurial flavour than the group had under Sir Gordon, a protégé of the impulsive Lord Thomson of Fleet.

According to Mr Brown, "Gordon was prepared to take very considerable risks. I don't feel any need to move into new areas. I would put more emphasis on risk containment."

Efforts to steer ITO into a better defined direction mirror events in the 1970s at the top of the Thomson empire, as control shifted from Roy Thomson, the first Lord Thomson of Fleet, to his less colourful and more cautious son Kenneth, who prefers to be known—at least in North America—simply as Mr Ken Thomson.

The younger Thomson, now 62, leaves the impression that keeping his father's legacy in good shape is more important than moving into uncharted waters. Asked whether he planned radical changes in the family's investments, Mr Thomson said that "when you start trading something like that, you're trading a little piece of your soul."

With the exception of the acquisition of the Canadian retail and property group Hudson's Bay Co in 1979, the basic structure of the Thomson empire has changed little since Roy Thomson died a decade ago.

According to Ken Thomson, "I have the pride of the family businesses and the memory of my father. Even though he spoiled me in a material sense, he ingrained in me a sense to do things properly and responsibly."

The Thomson businesses have three main legs: Hudson's Bay, ITO and cash-rich Thomson Newspapers, which owns about 150 daily and weekly papers in Canada and the U.S., mostly monopolies in small communities.

There are more modest interests in trucking and insurance. The family sold its

controlling interest in Times Newspapers in 1981, and recently disposed of one of its Canadian trucking companies.

Mr Thomson and his chief lieutenant, former Toronto lawyer John Tory, play little part in day-to-day operations. A rare exception occurred last January when the two men joined the Hudson's Bay executive committee in an effort to help turn around the group's loss-making department stores.

This is not intended to be a permanent situation, Mr Thomson insists.

Until Mr Brown was elected to the Hudson's Bay board earlier this year, management of the three main Thomson-controlled groups was kept separate. Contact between them remains sporadic, and there are no plans to rationalise some of the seeming overlapping interests of the companies.

ITO's investments include Britain's largest chain of regional newspapers and its leading tour operator, a string of trade and professional magazines, plus other information services. In the U.S., and substantial minority stakes in four North Sea oilfields, two of which have not yet been brought to commercial production.

The group's earnings have risen steadily from £19.7m in 1980 to £86.5m (US\$140m) last year. Sales exceeded £1.7bn in 1984. But the overall trend masks some fundamental shifts in the contribution of individual businesses.

Mr Brown's move to New York was part of a rapidly growing exposure to the U.S. North America's contribution to operating profits has grown from nothing in 1980 to 24 per cent last year, and Mr Brown expects the proportion to reach 50 per cent by 1990.

Although he still maintains a home in London, Mr Thomson observes that "I'm North American and I'm very Torontoan. You tend to focus a bit on where you live."

ITO has spent US\$100m so far this year on expanding its publishing interests in the U.S., notably by the purchase of Gale Research, a Detroit-based supplier of reference directories, dictionaries and bibliographies.

According to Mr Brown: "We'd love to spend that sort of money on acquisitions in the U.K., but they're not there." He explains that most of the companies ITO would like to get its hands on in Britain have already been snapped up by its two main competitors, Inter-

national Publishing and Pearson Longman.

To avoid being trapped in markets with little scope for expansion, ITO has disposed of about 20 British enterprises, including general book publishers like Michael Joseph, Hamish Hamilton and Sphere Books, an insurance broker, a welding company and The



Lord Thomson (left) and Mr Michael Brown, the new chief executive

Illustrated London News. The latter conflicted with ITO's preferred strategy of avoiding consumer magazines.

Besides Thomson Regional Newspapers, the British publishing interests have thus largely been narrowed down to business magazines and information services, supermarket magazines and specialist books, like the military reference works produced by Jane's Publishing.

Acquisitions in the U.S. are also proving costly, and competition is fierce. But Mr Brown says that the larger market and wider scope for creating new products make North America more attractive for long-term growth. He predicts that ITO's publishing subsidiaries will launch at least 80 new subscription products in the U.S. this year.

The mix of profits from ITO's main business is also changing. Oil and gas contributed almost 55 per cent of trading income last year, but the proportion is falling as output from the large Piper and Clay-

more fields in the North Sea tails off. Earnings from oil and gas were as high as 83 per cent of the total in 1979.

Despite the inevitability of a further decline, ITO wants to ensure that energy remains a significant source of cash and earnings throughout the 1990s. The company currently has interests in 23 North Sea



bookings were disappointing and the group has forecast lower earnings from travel in the second half of 1985.

Furthermore, expansion of the U.S. travel operations has come to a virtual standstill as ITO concentrates on improving margins in its existing West Coast and Mid-West markets. The U.S. travel division turned the corner to profitability for the first time last year after five years of losses totalling US\$50m.

"It was less easy than we thought to transfer British experience into North America," Mr Brown said.

In Britain, the emphasis in the travel business is also on new products rather than diversification into hotels or new geographical areas. Thomson Travel burnt its fingers in the 1970s by buying hotels in several of its main holiday destinations.

Mr Brown said: "It's jackets off" in the intense battle for business with the aggressive International Leisure Group (formerly Intasun). "We'll match them pound for pound on price and beat them on quality," he added with feeling.

Mr Brown is more hesitant in discussing another challenge facing ITO, namely, the dearth of senior managers with experience beyond one segment of the group's diverse businesses. Besides Mr Brown, none of the managers in the publishing, oil or travel divisions has had experience in any of the others, and the heads of all three arms are relatively new in their jobs.

Transfers between divisions are likely to take place more frequently in future. In the meantime, ITO has announced several senior promotions, apparently designed to strengthen the top ranks, and to give the men involved a wider exposure to the overall business.

Mr Robert Jackman, head of the North American publishing interests, has been named executive vice president and an ITO director. The heads of the North Sea and travel divisions have become vice presidents.

It is not impossible, of course, that a third generation of Thomsons will take a more hands-on interest in ITO. Mr Ken Thomson's elder son David, 28—whom his father says "has some of my father's drive" and "some very firm ideas for a young man"—presently works for Hudson's Bay. His brother Peter, 20, may do the same, possibly after spending a year

Last summer's UK travel at Oxford University.

BASE LENDING RATES

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Allied Dunbar & Co.	11 1/2%	Heritable & Gen. Trust	11 1/2%
Allied Irish Bank	11 1/2%	Hill Samuel	11 1/2%
American Express Bk.	11 1/2%	C. Hoare & Co.	11 1/2%
Henry Ansbacher	11 1/2%	Hongkong & Shanghai	11 1/2%
Amro Bank	11 1/2%	Johns & Co. Ltd.	11 1/2%
Associates Cap. Corp.	13%	Knowles & Co. Ltd.	12%
Banco de Bilbao	11 1/2%	Lloyds Bank	11 1/2%
Bank Hapoalim	11 1/2%	Edward Mann & Co.	12 1/2%
BCCI	11 1/2%	Meghraj & Sons Ltd.	11 1/2%
Bank of Ireland	11 1/2%	Midland Bank	11 1/2%
Bank of Cyprus	11 1/2%	Morgan Grenfell	11 1/2%
Bank of India	11 1/2%	Mount Credit Corp. Ltd.	11 1/2%
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Citibank Savings	11 1/2%	TCB	11 1/2%
City Merchants Bank	11 1/2%	Trustee Savings Bank	11 1/2%
Cyprusdiale Bank	11 1/2%	United Bank of Kuwait	11 1/2%
C. E. Coates & Co. Ltd.	12%	United Mizrahi Bank	11 1/2%
Comm. Bk. N. East	11 1/2%	Westpac Banking Corp.	11 1/2%
Consolidated Credits	11 1/2%	Whiteaway Laidlaw	12%
Continental Trust Ltd.	11 1/2%	Yorkshire Bank	11 1/2%
Co-operative Bank	11 1/2%	Members of the Accepting Houses	
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FINANCIAL TIMES SURVEY

Tuesday October 1 1985

Efficient distribution is a key factor in many manufacturing and retail businesses, particularly high street stores. Widespread improvements using computers, and new, highly-specialised services, are greatly speeding the flow of goods.

Expanding at a huge rate

BY PHILLIP HASTINGS

A MAJOR exhibition being held in London next week will highlight many of the latest developments in what is now an increasingly sophisticated UK distribution industry.

Exhibitors at the Distribution Services Show, at the Wembley Conference Centre, include, for example, about a dozen computer system and software companies, at least one leading distribution consultancy and a cross-section of about 100 equipment manufacturers and service operators.

Taken together with an associated one-day conference, "Distribution—the next 10 years," being organised by the Institute of Physical Distribution Management, the exhibition provides further evidence that distribution is now recognised as a key factor in the success of most manufacturing and retailing businesses.

The reasons are simple: distribution costs can account for 25 to 30 per cent of the purchase price of a product and even a small company can easily spend £200,000 a year on distribution. As a result, the subject has recently become a focus of attention at board level.

Many managing directors are involved on a day-to-day basis, with distribution accounting for 5 to 10 per cent of their time, while other directors spend 10 to 20 per cent with those at their weekly meetings.

ated to distribution activities," according to a National Carriers Contract Services report on physical distribution management, or PDM as it is often called.

The general management interest in distribution spotlighted by NCCS is reflected in the growing membership of the Institute of Physical Distribution Management since it was set up in 1981.

"We have been expanding at an enormous rate and now have a membership of over 3,000, a trend which runs parallel with the increasing professionalism of the distribution industry," the IFDM says.

As professionalism has grown, so has the complexity of the distribution industry, which has led in turn to increasing use of specialist consultancies to advise manufacturers and retailers alike on the best ways to handle their particular distribution requirements.

Thus, the National Freight Consortium's new NFC Distribution Group, which comes into being on October 7, includes a consultancy company developed from the resources of NFC's former BRS Consultancy and the planning and development department of the SPD organisation which it acquired from Unilever at the beginning of this year. The NFC hopes its new consultancy operation will generate a year in revenue.

Source: NCCS, Mr John Kelly,



Delivery trucks at Sainsbury's Buntingford, Herts, depot, which serves 78 stores daily in the South Midlands, East Anglia and North London

Photo: Hugh Routledge

managing director of distribution consultants Davies and Robson, points out, there may be a requirement for specialised knowledge or experience not readily available within the organisation concerned, while in others there could be a need for a fresh, unbiased opinion on the merits of future plans or the analysis of existing problems.

No one should underestimate the opportunities for improvement in distribution cost effectiveness at even the most simple levels, he observes. It was not uncommon, for example, for a pack design adjustment measured in millimetres to have very significant implications on the make-up of unit loads which could be more efficiently accommodated in warehouses or on delivery vehicles.

"One company achieved a 30 per cent increase in unit load capacity by making changes of only 4 mm on the length and 3 mm on the width of the product cartons," Mr Kelly says.

"Put in more direct terms, efficiency improvements of that magnitude mean that 77 vehicle journeys can deliver the same payload that previously would have required 100 vehicle journeys."

With such relatively small factors often going to make a substantial difference in overall distribution costs, computerisation has also made major advances in the sector. In addition to basic processing of documents, order picking, and so on, computer systems are also used increasingly to organise actual operations.

Typical of this sort of

development is the PARAGON vehicle scheduling system developed by PA Computers and Telecommunications.

Basically, such a system takes as its input a series of orders to be delivered to customers. The calls are linked together to form routes within the capacity of the available vehicles and driver hours and any time restrictions which apply at the various customers' premises.

"The resulting output is a series of delivery routes, one for each driver, with a detailed time schedule showing when he should leave the depot, arrive and depart at each call, take his meal break and arrive back at the depot," says Mr Mel Eastburn, product manager for PARAGON.

Among case history studies, PA Computers and Telecom-

munications lists one involving the Argill Stores group where by using the PARAGON system the vehicle fleet at one depot had been reduced from 38 trucks to 23, despite a traffic volume increase of some 20 per cent over the same period. Another user had recently identified potential savings of £1.5m by using the system and implementation was now under way.

Computer systems now also form a vital link between manufacturers/retailers and the third party distribution specialists which increasingly dominate the overall market.

The food distribution specialist Lowfield, for example, uses a system based on an ICL ME 29 computer to link its 13 depots throughout the UK with customers, to provide fast statistical analysis of management

information for transmission to all clients.

"The computer analysis provides information which can link production to the exact level of orders and warehouse stock," says Mark Skipwith, Lowfield's managing director.

Money tied up in large stocks earns nothing, he points out. The use of Lowfield's system meant clients could avoid such unnecessary expense, with back-up stocks kept to a minimum.

The speed and accuracy of the system also enabled clients to invoice earlier. The computer could raise invoices as soon as goods were delivered. The quicker the invoices were dispatched, the quicker payment was received.

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"WE CHOSE CARGO DRAWBARS FOR EXTRA LOADSPACE."

WE GOT MORE THAN £220,000 OF COST SAVINGS."

Harry Rawlings, Transport Manager, Sketchley.

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There was money to be saved on



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Distribution Services 2

Powerful food groups dictate changes in pattern Growth of central warehouse deliveries

Retailers

PHILLIP HASTINGS

WITHOUT DOUBT the largest influence on the fast-changing pattern of UK distribution operations in recent years has been the growing buying power of major retail organisations.

Increasingly, it is the big multiple stores groups such as Sainsbury's, Tesco, Marks and Spencer and Debenhams, for example, which are dictating the way goods are distributed from the source of supply through to the retail outlet.

Basically, the major high street retailers have become the public's purchasing agency rather than the manufacturers' selling agency," says John Kelly, managing director of the distribution consultants Davies and Robson.

By then, he means retailers are assessing what their customers want and then passing on those demands to manufacturers and suppliers, a development now being reflected in the distribution sector.

At the heart of the revolution in distribution patterns, was the change by the powerful grocery multiples in particular to effect fine delivery to high street outlets via central warehouses.

This had fundamental implications for manufacturers.

Little dialogue

"Central warehouse deliveries are undermining the economic viability of the long-established depot networks and transport operations of many manufacturers," says Mr Kelly. As yet, he adds, hardly any dialogue has taken place between distribution planners of the major retail chains.

The rise to prominence of the retailers, as opposed to the suppliers, when it comes to determining distribution operations has been fairly swift.

Twenty years ago, the patterns of distribution in the UK were set principally by manufacturers and suppliers—during the mid-1960s it was estimated that some 70 per cent of distribution within the country was handled by manufacturers' own account operations.

The basic set-up continued into the 1970s, with most of the major advances in distribution systems and technology emanating from the suppliers' side.

Even at the start of this decade, it was thought that more than 40 per cent of grocery traffic, for instance, was still being delivered to retailers' premises by the suppliers' own vehicles.

However, by the time that recession really began to bite, the large retailers had already grown to the point where their massive purchasing power enabled them to start calling the tune in distribution as in other areas. Aware of the need to reduce stockholding on their own premises and to improve productivity in terms of high street deliveries, they began to centralise stocks in large warehouses and introduce delivery appointments systems.

In a growing number of cases, the need to keep super-markets and stores well supplied without maintaining large stocks on site has led to the development of large-scale centralised warehousing operations which allow stock replenishment at high street outlets to be consolidated into one large delivery per day.

Management of such central warehouses can be either in the hands of the retailers themselves or third party contract distribution companies working on their behalf.

A well-known example of one of the more advanced operations of the latter type involves Sainsbury's distribution set-up at Yate, Bristol. In the south-west of England, which is managed by the National Freight Consortium company, SPD Contract Distribution.

In effect, SPD operates a 225,000 sq ft warehouse on behalf of Sainsbury's which is linked to Sainsbury's computer system. Goods are received and stored, orders assembled and delivered to Sainsbury's outlets stretching from the Midlands to the West Country and South Wales.

"The logic of central warehousing is now established and a lot of the major retail chains already have 70-80 per cent of their goods routed through such facilities," Mr Kelly says.

In some cases, he added, retailers would nominate which carriers should transport their goods and then leave it to the manufacturers and suppliers to negotiate the cost with the designated distribution service operator.

Taking up the same theme, Mr Ed Hughes, group marketing manager for United Parcels, the parcels distribution

specialist, said that, while to the immediate view a retailer had no distribution costs as customers took goods away, distribution in its broader sense covered the movement of goods to stores as well as away from them.

By controlling the movement of goods to his store, a retailer gained greater control in areas such as suppliers' costs. He could also, through control of delivery movements, reduce stockholding, arrange special deals for promotional pricing, reduce price rises, increase goods inwards productivity, control the timetable, paperwork, proof of delivery activities and above all monitor the performance of the carrier operating on his behalf.

"A close relationship with that carrier allows low-cost inter-store movements and operation of returns procedures," Mr Hughes, whose United Parcels group includes United Carriers, Atlas Express, Sovereign, Arrowfast National, Scorpio International and National Cover, says.

Third party

However, according to Mr Mark Skipwith, managing director of food distribution specialist Lowfield, while many retailers have indeed switched over to routing a large proportion of their goods through central warehouses, others still have a long way to go in that direction.

Where companies were developing new retail sites, they were tending to cut down on their own facilities and use more third party central warehousing but where own facilities already existed there was a tendency to continue with them.

"Manufacturers, on the other hand, are tending to contract out distribution services, particularly on secondary distribution out of the stockholding points.

"If more and more traffic is going to go through retailers' distribution systems, what is left is not going to be enough to support manufacturers' own account fleets."

There would, though, still be a need for consolidating distribution services. That market might become smaller, both in terms of overall size and that of the drops involved, but at the end of the day someone would still have to deliver goods to small shops, kiosks and so on.

"Obviously, the food sector has been setting the trend and the degree to which other sectors follow will no doubt vary a bit," Mr Skipwith says. Overall, while retailers have generally been setting the pace of industry developments, the repercussions of the changes in terms of recent distribution which have resulted have in fact in many cases fallen most heavily on manufacturers and transport service providers.

Manufacturers which have invested heavily in distribution systems typically have established networks of depots through which they have traditionally serviced hundreds of retail branches, using own vehicles of a suitable size for the operations involved.

The increasing requirement for them to supply their largest customers direct from the factory site or central warehouse to the customers' central warehouse has been reducing the throughput at many of those depots.

In some cases this is destroying the economic viability of the network. At the very least, the optimum vehicle size for the depot operation has been getting smaller, as has the quantity of vehicles required. Conversely, central warehouse deliveries may at the same time, be creating a need for some larger vehicles.

It is obvious that in these circumstances it is better to have a highly flexible distribution system, Mr Kelly says. Manufacturers who used third-party facilities would clearly be able to adjust their distribution arrangements most easily to new situations.

"There is little doubt that the example of companies such as Kellogg's, Nabisco and Pedigree—who have traditionally adopted a policy of hiring space in vehicles and depots rather than investing in large fixed resources—will be followed by many manufacturers."

Faced with similar problems to manufacturers, leading specialist grocery distribution companies have also had to rationalise their depot networks in response to the rise of warehouse-to-warehouse operations.

Although a certain amount of direct-to-outlet deliveries are likely to continue, grocery carriers are likely to find that with common user services at least, average drop sizes will fall as more and more traffic is routed via specialist distribution systems.



John Kelly: Major retailers have become the public's purchasing agency



Mark Skipwith: Food sector has been setting the trend

Expanding at huge rate

CONTINUED FROM PAGE 1

In addition, the computerisation of all documentation covering orders and delivery has reduced paperwork to a minimum. With salesmen able to check stock and transmit orders to the computer from their own homes, clients were saved many administrative headaches.

However, while computerisation represents one of the most immediately obvious signs of the fast-changing nature of UK distribution, some of the most significant developments come in the general philosophies and policies of both suppliers and retailers, forced by rising competition to seek ever greater efficiency in the movement of their goods.

Manufacturers' own account transport operations have declined substantially in recent years as suppliers have found the pattern of distribution activities being increasingly dictated by their customers, particularly the major retail organisations, looking for ever more sophisticated total distribution systems.

Basically, the very high volume turnover synonymous with large supermarkets and other stores has rapidly outstretched previously established distribution practices under which a separate vehicle delivered to the retail outlet from each source of supply. Problems of unloading, queuing, unpredictable waiting times and inconvenient delivery times made change inevitable.

"The obvious solution is to concentrate deliveries from all sources into a central warehouse, which enables stock replenishment at high street out-

lets to be consolidated into one large delivery per day," says Mr Kelly of Davies and Robson.

Such trends have been particularly quick to catch on among the large grocery multiples which have realised that storage space at retail outlets can be reduced to a minimum, freeing floor space for sales use. Sainsbury's has been particularly prominent in this respect, investing in very large and efficient central warehouses to serve new super-markets which have no significant local storage facilities.

Other stores groups such as Tesco, Safeway and Argyl are now following similar policies and the pattern is spreading to other large retail chains.

The general move towards centralised warehousing operations has in turn led to the

increasing involvement of third party specialist distribution companies which are contracted to handle specific regional or national distribution operations on behalf of the retail organisations or suppliers.

A spin-off development from the trends towards lower stockholding and greater use of outside distribution companies has been the rapid increase over the last two or three years in domestic and international express freight services.

The wide range of next-day or two/three-day delivery services now available means that suppliers and retailers can quickly plug any supply gaps. The argument is that the generally lower level of stockholding which such services allow, compensates for the fairly high rates charged for express delivery operations.

Boom in mail order deliveries

FLOURISHING mail order business at present and the prospect of more armchair shopping in the future are together encouraging the development of new home delivery services.

The latest evidence of this trend within the general mail order sector came earlier this year in the form of Homespeed, a new company launched by National Freight Consortium member Pickfords Removals.

Basically, Homespeed now offers a nationwide, two-crew service specialising in deliveries of furniture, flooring, leisure and white and brown goods weighing 22.5 kilos or more, or items which are abnormal in size or bulk.

Customers are sent an advance notice of a next delivery, with follow-up action provided for undelivered goods. The service includes Saturday and evening deliveries.

First customer for Homespeed, which was officially launched in April with an initial fleet of 210 vehicles and 170 trailers, was Littlewoods, the mail order giant. In addition to servicing the latter company's grocery business, Homespeed will also be involved in teleshopping delivery operations.

"The growth of direct selling, the advent of teleshopping and changing practices in retailing have signalled the need for a dedicated, nationwide service of this kind," says Mr Stephen Jordan, Pickfords' marketing and development director.

Similar sentiments were voiced by Mr John Aberley, managing director of Great Universal Stores company GUS Transport, at the launch last year of Homeline, a home delivery service set up in partnership with distribution specialist Lex Wilkinson.

He said: "Today's television set soon to become tomorrow's shop window, providing a consumer service that demands low-cost, high-quality home delivery."

Confirming their commitment to the operation, GUS Transport and Lex Wilkinson signed a 10-year agreement on the establishment of Homeline. The idea is to marry up the local delivery experience of GUS Transport's White Arrow operation with Lex Wilkinson's collection and marketing expertise. Homeline basically caters for parcels of up to 25 kilos, with collections being made for as few as 10 parcels. The majority of deliveries are made within three days, and all of them within five working days.

P.H.

A word to companies that need an efficient commercial vehicle fleet without the problems of running it.

Wincanton

WINCANTON GROUP
Wincanton Group, Station Road, Wincanton, Somerset BA9 9EQ. Telephone: 0963 33933

Chilled/frozen food

PHILLIP HASTINGS

PUBLIC FLOTATION earlier this year of the temperature-controlled distribution specialist Christian Salvesen illustrates a continuing growth in the business of storing and transporting chilled/frozen products. At the same time, with customers buying more and more meat, fish, fruit, vegetables and dairy produce from the major high street multiples rather than smaller local shops, demand has grown for larger-scale, more sophisticated distribution systems to feed through such produce.

As the size of the distribution operations has grown so has the cost of setting up such systems. In the case of customer-dedicated set-ups, third party operators are now often looking at an investment of £2-3m. Prominent among the relatively small number of specialist temperature-controlled distribution specialists in the United Kingdom are Christian Salvesen Food Services Europe, Frigoscandia and newcomer Tempco Union, established last year as the result of a £28m merger involving the National Freight Consortium subsidiary Tempco International and Union Cold Storage Company.

Some of the most obvious evidence of the overall build-up in temperature-controlled distribution activities over the last few years lies in fact come from Christian Salvesen.

The Edinburgh-based company started with a cold store at Grimsby over 20 years ago, and has grown to the point where it now has 25 depots/locations in the UK and a further 14 on the Continent covering France, Belgium and Holland. The total number of vehicles operating out of those bases is now about 600.

During the run-up to its public flotation, Salvesen said that further expansion of its operations was planned over the next few years and that has already been reflected in the

storage and distribution sector. Recently, for example, the company acquired a modern 1.2m cubic foot cold store, vegetable processing and repack operation at Eyemouth near Berwick, while the Continental location was recently expanded with the acquisition of three depots in Holland which were operating a fleet of some 100 vehicles, principally for chilled distribution.

Another example is Wincanton Chilled Distribution set up four years ago as part of the Wincanton Transport Group to specialise in chilled food distribution. Basically, WCD's operations are centred on three temperature-controlled trans-shipment centres—at Chippenham in Wiltshire, Brentford, West London and Uttoxeter in Staffordshire—which form a "chilled triangle."

Daily distribution now involves up to 3,000 pallets from more than 400 production locations to 70 outlets. WCD's fleet of 200 vehicles now provides services for over 80 customers.

Expansion

In addition to operating consolidation services, Wincanton also undertakes dedicated fleet management for companies such as Anglo Beef Processors (formerly Dalgety Meats), Blue Prince Musbrooms and Flying Goose.

However, although the temperature-controlled specialists have been substantially expanding their operations, they have not had the field to themselves.

A number of the major general high street distribution organisations have also become increasingly involved with this sector as they have seen that part of the overall market grow. Among the prominent operators in the latter category is SPD, now part of the NFC's new distribution group.

Earlier this year, for example, SPD began handling the nationwide distribution of the reformulated and relaunched low-fat spread Outline, manufactured by Sussex-based Vao den Berghs and Jurgens.

An SPD spokesman says: "The relaunch of Vao den Berghs'

Outline in a new formulation required strict controls throughout the distribution cycle and demanded delivery under chilled conditions. Another Vao den Berghs product, a non-dairy cream called Elmlea, is now also being delivered by the chilled distribution service."

To cater for that and other common user chilled distribution business, SPD over the last few months has acquired an additional 50 new vehicles, bringing its temperature-controlled fleet to over 100.

In addition, SPD has some 170 "Thermotainer" units which can be used for distributing chilled and frozen products in non-temperature-controlled vehicles, for example where deliveries are being made to outlying areas or where only small drops are involved. The 25 or so 16-tonne vehicles used to deliver products are equipped with movable bulkheads which allow varying quantities of frozen goods to be carried in the front part of the vehicle while the rest is allocated to chilled or ambient goods.

However, while temperature-controlled distribution on behalf of restaurant groups, retailers and others is very much a growing part of that sector, there is still a strong demand for services from manufacturers and suppliers. Salvesen, for example, is currently involved in operating groupage-style services on behalf of such customers.

Mr Timothy Nolley, Salvesen's business development manager, says: "Basically, this involves operating a central common-user storage point where the products from different manufacturers are held in different sections."

"Products are then distributed to the retail outlets in a groupage type of operation, with goods from different manufacturers consolidated into one vehicle load for delivery to the points concerned."

Vehicles leave Salvesen's cold stores at Nuneaton, Easton and Lowestoft travelling to all areas of the UK each week, in some areas two or three times a week, with pallet-load quantities of frozen food.

facilities for a number of leading retail organisations, including Marks & Spencer, J. Sainsbury (two) and British Home Stores (one).

In some cases where working with retailers, Salvesen has expanded the scope of its storage and distribution activities to include ambient temperature products, such as dry groceries, in common with other companies in the field. Salvesen operates some compartmentalised vehicles capable of carrying chilled, frozen and ambient products simultaneously.

Flexibility

Another example of the same sort of flexibility is provided by SPD's distribution operation on behalf of restaurant groups such as the I-zza Hut chain. The 25 or so 16-tonne vehicles used to deliver products are equipped with movable bulkheads which allow varying quantities of frozen goods to be carried in the front part of the vehicle while the rest is allocated to chilled or ambient goods.

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Distribution Services 3

Nightmare of constant change

Legislation

IAN REDPATH

THE WELTER of legislation, present and pending, governing the road haulage industry is a transport manager's nightmare. Weaving a safe course through the complexities of national and supranational rules, regulations, laws and directives is a formidable challenge.

Possibly the biggest single problem for operators is constant change. The framework appears to be constantly under review and the consequent uncertainty makes for short-term planning at best, and ultimately higher costs.

On a wider European scene, there is the much-awaited Regulation 543/69, reviewing and amending drivers' permitted working hours and minimum rest periods. Originally planned to become effective in mid-1985, it now seems unlikely that the European Commission in Brussels will have completed its attempts at compromise to achieve the new deadline of January 1 1986.

Regulation 543/69 was destined to make scheduling more flexible for operators but the most recent proposals—still being hoped for by Commission staff, to take account of the diverse views of the Council of

Ministers, the European Parliament and the EEC's Economic and Social Committee (on which are represented both sides of the industry)—have become bogged down in complexities.

Continuous driving would be allowed for 4½ hours, instead of four, but the maximum number of hours' driving permitted per fortnight would be cut from 92 to 90. The proposals would allow a nine-hour working day, instead of the present eight. These elements seem likely to stand, but the Council is still arguing over some of the other details of 543/69.

The Freight Transport Association in Britain believes that while some of the amendments undoubtedly benefit some hauliers in terms of flexibility, they do little—or perhaps even make business more difficult with increased staff-costs—for distributors serving retail outlets. "It's all very well having an extra hour to make your 'drop', but is the retailer open and willing to take you?" the association argues.

Drivers would be allowed to work a maximum of six consecutive days, but there is still discussion over how the new rest periods—180 hours over four weeks, with a minimum of 12 hours a day, or perhaps 11—are to be finalised.

Both the Road Haulage Association and the Freight Transport Association, between them representing most UK carriers, believe, however, there are



signs that Brussels will be forced to act and react more quickly in future. The Commission was heavily criticised in June this year by the European Court of Justice for dragging its feet over the industry's proposals on "back-loading".

At present, each member state through the issue of operators' permits, imposes restrictions on the collection and delivery of goods en route—from, say, Edinburgh to Milan. The effect is that for much of a long-distance round trip expensive transport units are travelling empty along Europe's auto-roads.

The proposal that operators should be allowed freer access to the distribution market in all member states is now being tackled urgently by Commission staff.

Attempts are also being made to ease the burden of documentation required to cross frontiers within the EEC.

Yet, as the Road Haulage Association complained, legislation rarely cuts costs for the distributor, retailer, or—ultimately—the consumer. The EEC's 1984 directive on noise pollution, virtually halving the permitted decibel level emanating from both light and heavy commercial vehicles, is good news for the environmentalist lobby. But it increases vehicle manufacturing costs and imposes a cost burden for the modification of existing vehicles before the deadline of 1989.

The UK's own domestic rules to eliminate rain spray from lorries and trailers became effective in May this year. Its introduction is progressive, but so are the costs.

Senior industry sources explain that although every company wants to comply with the rules, the difficulty comes in trying to find suitable spray flaps. What is good for one vehicle is quite useless for the next. Further, what is good for one vehicle under certain loads, is quite pointless in other conditions.

There have been attempts to establish a British Standard, but

so far success has eluded the searchers.

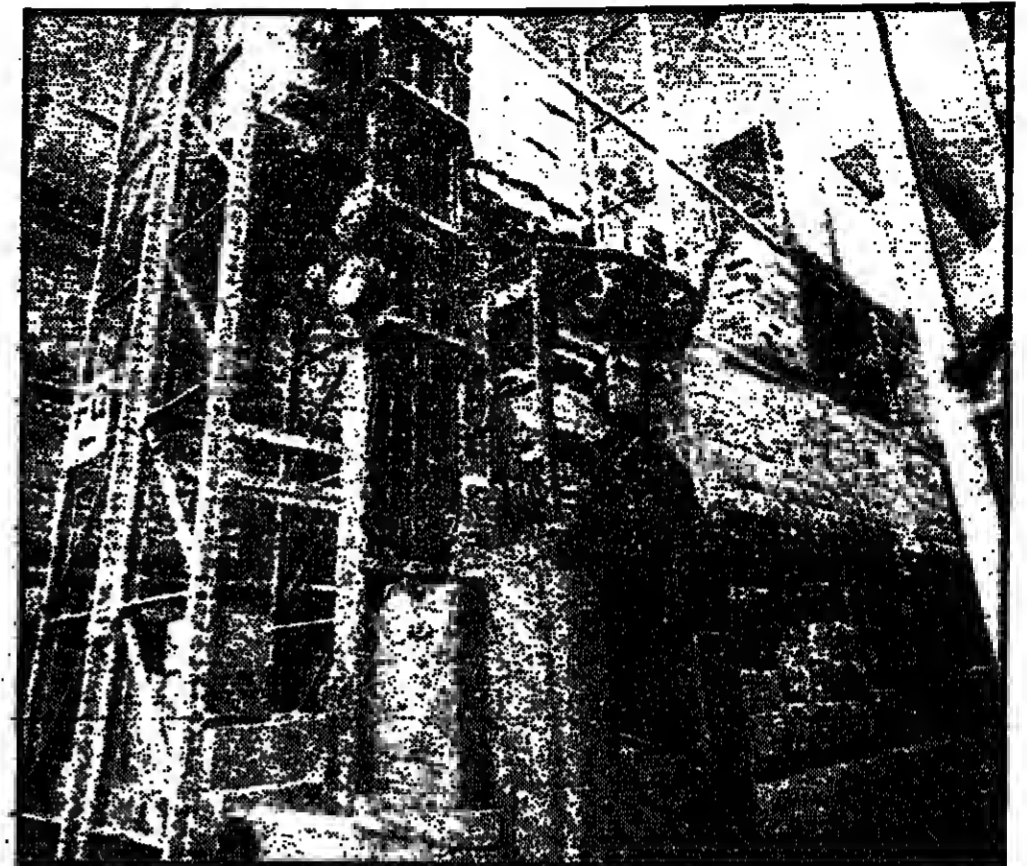
What seems to worry UK operators most is the existing system of renewing operators' licences. The system is now being reviewed by the Department of Transport, and the industry has been asked to make submissions.

At present it is possible for an operator who has conducted business from a site successfully, and without problem or nuisance, for some years to be refused a renewal of his licence on the basis of a single environmental complaint. The industry feels badly done by, but takes some heart from the fact that the present review was instigated by the Department.

The same optimism attaches to the ban on lorries with more than two axles at night and weekends in the area of the soon-to-be wound-up Greater London Council. The GLC plan is due to come into effect on December 16—and no one knows what will happen after the Council's demise on April 1 and is now the subject of an appeal by the Secretary of State.

Best estimates suggest that the appeal will be heard early next month.

But at the end of the day, perhaps the biggest single legislative challenge facing Britain's road hauliers is the Sunday Trading Bill. Senior Whitehall sources say it is "a front runner" for the next session of



Parliament. With Government support, its passage could be swift.

That would create for operators new challenges across the spectrum—industrial relations, manpower requirements, whether to enlarge a fleet or try to get double use out of

existing units, with the consequent servicing problems.

From the legislators' chair, the pressing claims of different lobbies must be onerous. From the customers' viewpoint, it is all added cost; and from the transport manager's pillow, little less than a nightmare.

ABOVE

Frozen food warehouse in the Midlands. Legislation produces constant changes which make it difficult for operators to plan their operations in the long-term.

PROFILE: UTD

BY PHILLIP HASTINGS



Gerald Pickering: being national is not enough in itself.

Aiming to go nationwide

FORMED JUST a year ago, United Transport Distribution has subsequently pressed ahead with a number of developments designed to help it become a significant force in the United Kingdom distribution field.

Currently, for example, the company is looking to find suitable facilities in the Bristol area which could be developed as a distribution depot to cover the South-West region, so completing a basic five-depot national network.

"Our basic philosophy is that we have got to be able to offer a nationwide distribution service and it is really a question of how we phase that development," says Gay Fern-Smith, executive chairman of UTD's parent organisation in the UK, United Transport Company.

However, we want to make sure we have firm legs on the ground before we move into new territory and that is what we have done so far.

Basically, UTD was formed from the merger in October 1984 of two United Transport companies, Smith of Maddington in Scotland and the Midlands-based Murphy Group. It is now one of half a dozen companies in UTD, itself part of United Transport International, a member of the British Electric Traction (BET) Group.

The idea of the merger was to encourage customers who had previously used Smith or Murphy on a regional basis to start considering the merged set-up for national delivery operations.

In keeping with that development aim, UTD quickly followed up its birth with the establishment of a third major depot facility to operate in tandem with the first in at Glasgow and the second at Southampton.

The third depot, opened at South Kirby near Wakefield in November last year, includes some 60,000 sq ft of warehousing space.

These three depots combined to give UTD reasonable coverage of Scotland, the North of England and the Midlands, leaving the South-East and the South-West as gaps which needed to be filled in order to offer a genuine national operation.

The first of those gaps was filled earlier this year when UTD opened a depot at Huddersdon, Hertfordshire, where facilities include 48,000 sq ft of warehousing. Now, the search is on to find suitable premises in the South-West.

In addition to its principal facilities, UTD also operates a warehouse at Manchester and an industrial depot at Grimsby-mouth which is basically used

for warehousing/storage on behalf of the petrochemical industry.

According to Mr Gerald Pickering, UTD's managing director, the comparatively recent development of the company's operations in fact gives it a number of advantages over more established competitors.

"We have, for instance, tended to grow into the new accepted levels of warehouse/depot operations with four or five such facilities covering the country rather than having had to consolidate down from a much larger number of depots as has been the case with some other operators."

However, developing the right facilities was only one part of the job to establish a genuine nationwide distribution operation. "Being national is not the be-all and end-all in itself. You have got to have the right strength of management at each regional centre," Mr Pickering says.

Strengthened

With those senior management set-ups now being strengthened, UTD was currently looking to step up its marketing activities and develop new business.

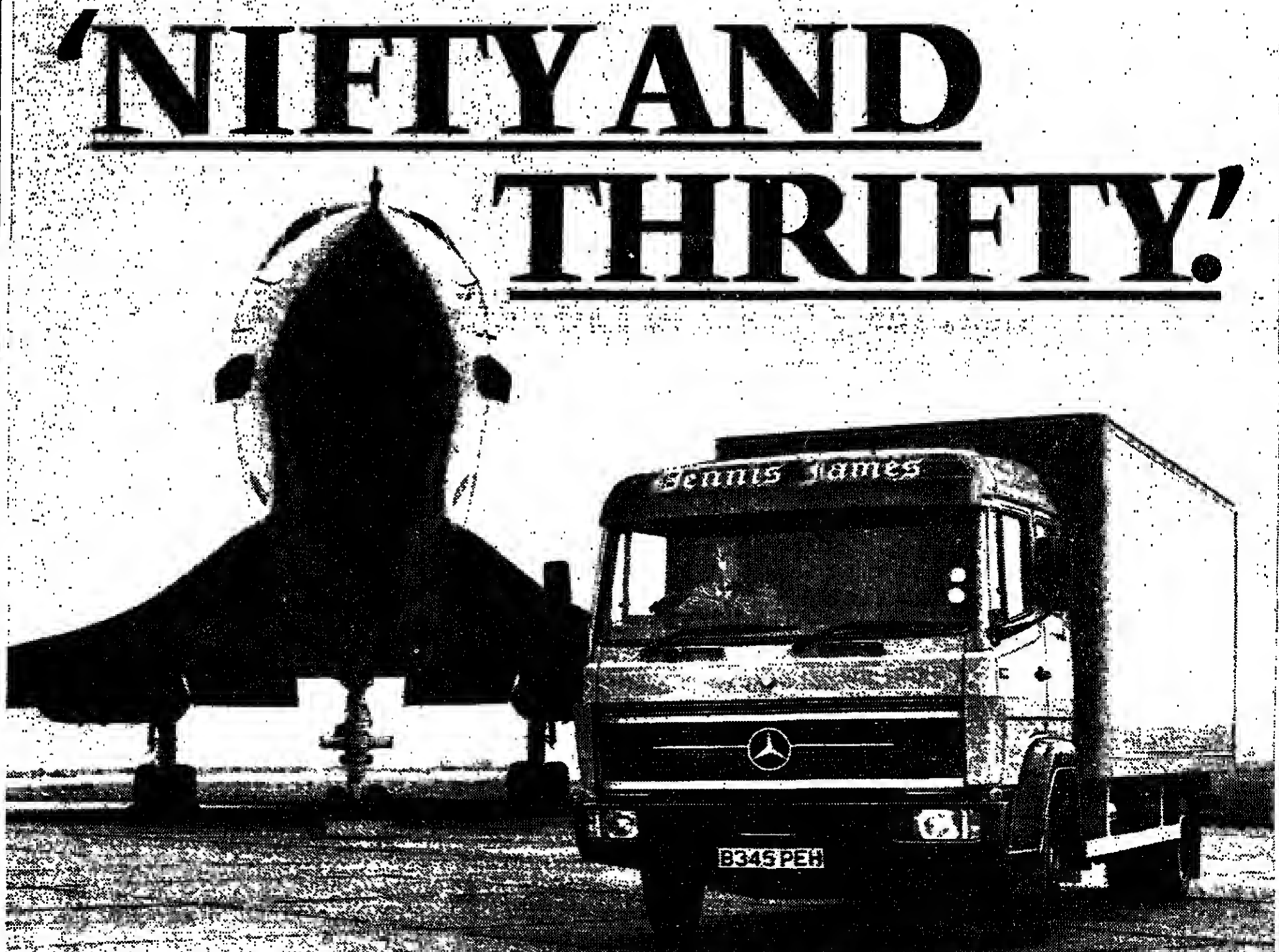
At the moment, UTD's core business involves undertaking distribution for manufacturers such as Quaker Oats and British Alcan. On the retail side, UTD does some work for Boots but, according to Mr Pickering, to attract retail work generally involves building up credibility over a period of time.

In common with other major distribution companies, UTD is also looking to try and get customer-dedicated distribution work on behalf of either manufacturers or retailers.

In that aim it could be helped by the fact that another part of United Transport Company, the tanker operating division, is already involved in UK dedicated distribution for Carlsberg through a subsidiary company, Copenhagen Transport.

"That is currently the only totally dedicated operation run by United Transport in the UK," Mr Fern-Smith says. "But we are involved in dedicated distribution in other parts of the world so we do have experience in that sector."

In line with the increasingly complex demands of customers looking for third-party distribution operations, UTD is at present building up a small projects team which can be called upon to help to set up the sort of distribution organisation best suited to their individual needs.



Making regular, punctual deliveries of fuel has been a task to Concorde requires a special breed of truck.

Dennis James believes he has found it. In the new Mercedes 7½ tonner, the 814.

"This one's been running for 9 months now. Like clockwork."

As his fleet already consisted of fourteen Mercs (from 30's to artic's), Dennis was eager to add the 814 as soon as it came on to the market.

"It was just the job," he explains. "There wasn't a van large enough or a truck small enough to fit our needs. We were relying on our dealer to come up with the goods again. He never fails."

"The 814 does a specialist job without demanding an HGV. The driver wants to take it home with him!"

Operating through the rigours of London Traffic to the ins and outs of Heathrow Airport speaks volumes for the 814's manoeuvrability, but how reliable is it?

"It's a Mercedes. I don't even expect anything to go wrong. The fleet made over 26,000 drops last year, over one million kilometres without a major problem. The 814 had a tough act to follow. But it's well on the way. It's done 48,750 kms between here and London so far, at 60 drops a week. And it still averages 18 mpg."

"With the cover of the Mercedes warranty on top, we'd struggle to do without it now."

It seems that the 'plane of the era and the 'Track of the Year have a lot in common.

"Nifty and thrifty. We can't afford to be late because they can't afford to wait."

METICULOUS ENGINEERING DOESN'T COST YOU. IT PAYS YOU.



PHILLIP HASTINGS

Reflecting that interest—and in many cases generating it—couriers, forwarders, express delivery companies and airlines have over the past few years become involved in a fast-moving race to develop services designed to attract a sizable share of international distribution traffic.

Spolung the potential for the fast movement of freight between the UK and the Continent via an operation which

door-to-door services built between the UK and the Continent and increasingly intra-Europe as a whole. Now, such services offer transit times from the UK to near Continental countries such as Holland, Belgium and northern France of

Together, the two airlines launched the first UK-Continent express airfreight services with a two-way service between London and Frankfurt.

Scheduled flights, Scandinavian Airlines System has opted to set up a special operation for

Part of Elan International's aircraft and van fleet

24-hour door-to-door service
between major centres in the
UK, Benelux countries,

Most recently of all, United Parcel Service has just announced that it has got together

company will expand the European market and generate more business overall."

POSIT-HIGH RE

Speedlink Distribution

Who knows, one day you too could be
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1. The first step is to identify the problem or question that needs to be answered. This involves understanding the context and the specific requirements of the task.

Faster than Express.



Exercises in cutting costs

ALAN HINTING

10 in timber pallets in two longitudinal rows, or 21 of JCD's own design w/ castor-wheel mounted roll-cages in

in the regions, previously served by staffed depots at the far end of the demountable trunker's journey, body trans-

aving to contract-out their distribution work to professional carriers whose fleets include lighter smaller vehicles. A

vehicle during multi-drop deliveries.

Distribution Services 5

Fierce competition to attract new business

A MAJOR feature of the UK domestic distribution scene over the last few years has been the rapid expansion of express freight/parcels services.

Even now, hardly a week goes by without some new service being announced, involving same-day, next-day or two/three-day door-to-door delivery operations. In a still relatively young and turbulent market, service innovations have been coming thick and fast as the fierce battle among operators to attract and hold new business.

For customers, the rapid growth of express services has opened up a wide range of options for getting goods from one part of the UK to another extremely quickly. On the negative side, such rapid expansion has also led to considerable product confusion and a degree of scepticism—sometimes justified—about the ability of certain operators to match consistently performance with marketing claims.

As for the operators themselves, the fierce level of competition which has resulted from the rapid build-up of services on offer has led to substantial rate-cutting, particularly for larger-volume customers, and in some cases fairly heavy trading losses.

Even the powerful and generally successful National Freight Consortium has had problems with its express freight/parcels business—the NFC Express Group, comprising Roadline and National Carriers Partners, last year recorded an £8.7m gross trading loss.

"The major sectors of the group suffered from severe over-capacity and competition in the market place which reduced volumes and depressed prices," said the NFC in its directors' report for the year.

"Because of the losses and the cash drain which the Express Group is placing upon the Consortium, the future of this group is under review."

Faced with this sort of "shape up or ship out" warning, Roadline is in fact undergoing some dramatic changes during the first part of this year, including 500 redundancies to bring the total workforce down to about 2,500.

"We have probably now reached the stage where the major changes necessary have been made, and we are now in an interesting position," said Mr. Graham Roberts, Roadline's managing director.

To back up that apparent optimism, Roadline earlier this year invested in more than 80 new trucks, valued at around £25,000 a time, with the promise of more investment to come. Whether Roadline will achieve its aim of profitability in the near future remains to be seen.

The state of the market in general and rates in particular suggests that the NFC company and most others in the field still face a stiff challenge in terms of establishing profitable operations.

The basic problem is that of rate levels, with published tariffs often cut substantially in the battle for business. Now, believe some operators, the point has been reached where rates in general will have to go up. That, certainly, is the belief of the market leader in the UK domestic express services field, TNT (Thomas Nationwide Transport), which claims its own policy has been to charge "realistic" rates.

"I would not be surprised if some of the other carriers were forced to raise prices, particularly to major customers, by 15-25 per cent. Some will have to increase rates by that sort of amount to meet inflation and recover ground lost over the last couple of years," Mr. James Wilson, the general manager for TNT Express Services, said.

Express freight and parcels

PHILLIP HASTINGS

He added that the trend would probably be for larger customers to face the biggest rate increases as that was the area where many service operators claimed they were not making any money because of the discounts which had been offered for volume business. Smaller users might find their rates going up by a little more than inflation, say 10 per cent if the inflation figure was about six per cent.

Other express service operators are less convinced that efforts to push up rates will succeed. Several said that even if published tariffs were increased, competitive pressures would probably force down actual rates charged, again particularly for volume business, to around current levels or even below.

Speaking about the present state of the market in general, one senior executive of a service operator said that there was in fact so much discounting going on at present that it was very difficult to know what customers were being charged. "Despite the talk of rates increasing, there has been no real evidence yet of that happening—if anything, recent evidence suggests the opposite, with rates still being slashed," Elan Europe, Tony Harris, the managing director of UK domestic and European express freight service operator.

"Looking at the future for the domestic market in the UK, I question whether rates are really going to barden in the foreseeable future. I cannot

really see any major changes."

However, despite the present difficulties being experienced by many domestic express service operators, such operations have become an established part of the UK distribution systems, as well as for emergency or urgent consignments.

Within the overall development of such services, a number of trends have become apparent over the last few years. Firstly, there has been large-scale development of totally nationwide operations, as against the mainly regional organisations which tended to dominate the scene until comparatively recently.

Then, there has been a general broadening of the range of traffic catered for by such services, moving away from just the traditional parcels-type consignments.

A third feature has been the seemingly ever growing range of product options coming into the market, for example taking in next-day delivery before 9.00 hours, before 10.30, before noon, and so on.

Among recent innovations from TNT, for instance, has been the introduction of what is said to be the first nationwide totally 24-hour service, including public holidays, for collection/delivery under its TNT Sameday banner.

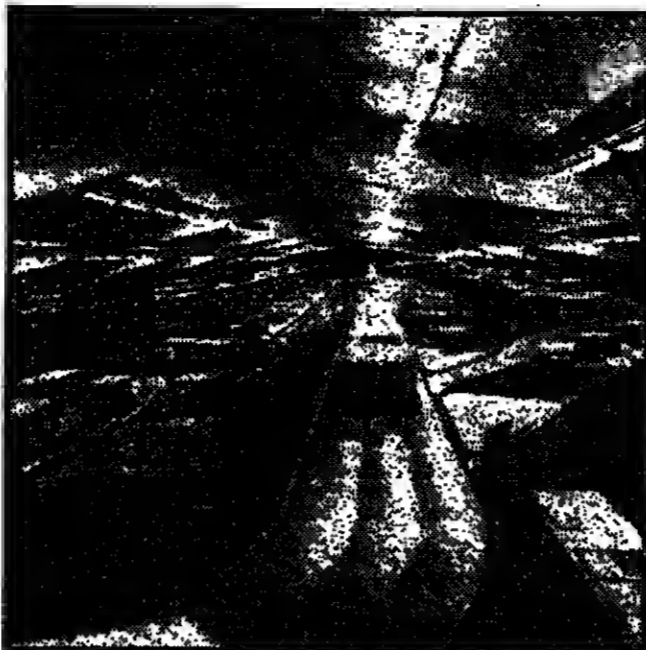
To sustain domestic operations, a number of the leading companies have developed large hub operations—TNT has a huge parcels distribution centre at Atherstone while rival Lex Wilkinson has a computer-controlled parcel sorting centre at Nuneaton which is said to be one of the most advanced in Europe.

Not surprisingly in an industry where speed is vital, computerisation also features prominently in the systems of most operators.

Lex Wilkinson, for instance, has developed its own computerised parcels tracing and monitoring system, Wikontrol. By phasing in this system, customers can obtain up-to-date information on their consignments. Larger customers can also use Directline which extends Wikontrol's facilities to their own desktop VDUs.

Similarly, TNT is bringing on stream a £1.7m computer system which will allow employees at any one of its 32 major locations around the UK instead access to customer account and trading files, speeding up information flows and cutting down on paperwork. Already TNT is talking about further developing the system to open up 'exciting possibilities' for direct customer link-up.

One further trend which could become apparent over the next few years is the expansion of "domestic" operations to include the EEC as opposed to just the UK. As progress towards the establishment of



Sorting packages at The Hub, Lex Wilkinson's 56m computerised and mechanised sorting centre near Nuneaton. The centre, opened in 1980, can handle 10,000 parcels an hour and 500 trailer movements a day. All trunk traffic is sent to The Hub, sorted during the night and returned to the appropriate depot for local delivery the next day.

Emphasis on security

LATEST DEVELOPMENT in the UK domestic express freight market involves a new operation being officially launched this month by Securix.

Called Securix-Link, the operation will offer a five days a week, nationwide 24/48-hour delivery service for cash, foreign currency, travellers cheques, credit cards, gift vouchers, jewellery and other small, high-value items.

To operate the service, Securix has established 12 basic overnight trunking routes linking major centres such as Edinburgh, Glasgow, Manchester, Birmingham and London. These centres in turn are connected with Securix's network of security centres around the UK and the near

1,500 vehicles which are on the road at any one time to provide local collection and delivery.

Collection cut-off time for the new service is normally about 5 to 6 pm with deliveries to major centres made by 4 pm the next day, and often by the morning. Other towns are served on a 48-hour or 72-hour basis for more remote locations.

To operate the main trunking connections of Securix-Link, Securix is introducing 12 7.5 gross vehicle weight Dodge, all fully armed and equipped with the company's normal standards and diesel-powered to reduce the risk of fire. Vehicles are also equipped with fireproof containers for items which cannot be reconstituted.

Such is the pace of ANCO's development that having recently moved its headquarters and domestic hub operation to a new 12-acre site at Stoke-on-Trent, the company is already thinking of developing further purpose-built premises for occupation in two to three years time.

Many UK domestic operators already have strong connections with European and other international markets and those which have not are in many cases now looking to develop such connections.

Domestic parcels carrier ANCO, for example, is shortly planning to launch 48-hour delivery services between the UK and four continental countries—Holland, Belgium, France and West Germany. That follows the start last month of express freight services between the UK and Eire.

materials which eventually become part of the finished products, and the final distribution of those products to the customer.

Where an outside contractor is brought in, a full PDM policy can include every stage of storage, movements, scheduling and delivery as the responsibility of that contractor.

The managing director of NCCS, Mr. Mike Tarrant, says: "We are certainly working to move further up the distribution market and can now offer the total PDM package from origin to the final customer."

Overall though, there is still much to learn as far as PDM is concerned, he believes.

To put together a full PDM package for each potential customer, NCCS has to start from scratch, Mr. Tarrant says. Typically, the negotiating period for such a distribution contract might be 12 to 15 months, with the first 8 to 10 months usually taken up with fact-finding and the development of ideas.

Each full PDM contract could easily require an average investment of £1m. In some cases, contracts could be worth £5m to £6m a year, although the figure could be as low as £300,000.

"When NCCS was set up three years ago, annual turnover was £17m—for the year ending September 1985 it is going to be in the region of £55m," he says.

As far as future business is concerned, NCCS estimates that there are about 7,000 potential contract distribution customers and feels that there is plenty of potential business left to go for, in a total market which could be worth more than £1,000m.

However, such are the complexities of present-day distribution systems that the need for customers and contract distribution companies to work closely together means continuing to be for a minimum of five years. Distribution operators stress the need to establish a real partnership with their clients.

"As a result, dedicated contracts tend not to move around very much," says Lowfield's Mark Skipwith.

PROFILE: NFC

By PHILLIP HASTINGS

Strength of £100m group

A MAJOR "new" name in UK domestic distribution formally comes into existence this month.

The NFC Distribution Group, part of the Bedford-based National Freight Consortium, has been formed basically by merging the activities of the high street distribution specialist SPD, acquired from Unilever at the beginning of this year, with those of the consortium's own established ERS Distribution operation.

Together, the various elements now form a group with an annual turnover of £100m, facilities which include more than 4m square feet of warehousing space, a fleet of 1,400 or more vehicles and a total staff of 4,000.

Included in the group are two principal divisions, one specialising in common user services and the other in contract distribution.

The common user or shared service company, now operating under the name SPD, comprises the relevant activities of the former SPD Group and those of ERS Distribution. The company's main aim is to handle the distribution of fast-moving consumer goods together with business-to-business movements of industrial products.

"Every year, more than 2m deliveries are made to 125,000 retailers, wholesalers, caterers, industrial locations and institutions on behalf of clients like Whitbread, Van den Berghs, Elida Gibbs and Scottish and Newcastle Breweries," says a spokesman for SPD.

The second major division of the NFC Distribution Group comprises all the SPD and ERS distribution activities dedicated specifically to individual customers. This time under the name SPD Contract Distribution.

In partnership with manufacturers/suppliers such as Kellogg and Whitbread and retailers including J. Sainsbury and Tesco, SPD Contract Distribution creates services tailored-made to meet the individual client's needs.

In the case of Whitbread, for example, SPD has developed a distribution operation called Bar Delivery Service—BDS is responsible for the distribution of all Whitbread's products to some 3,500 pubs, bars and clubs in



Richard Lovell: rationalisation is almost completed.

London and the Home Counties.

Reflecting the general trend for retailers to control distribution patterns, SPD also operates a 225,000 sq ft distribution centre at Fife near Bristol for Sainsbury. At the centre, linked to Sainsbury's computer operation, goods are received and stored, orders assembled and deliveries made in Sainsbury-owned vehicles to outlets in the West Country and South Wales.

Other divisions within the new NFC group are Carrycare, a shared user and dedicated distributor of vulnerable and high value goods; GDS, a specialist confectionery distributor; and the NFC Common User Group which has been formed by merging the planning and development department of SPD with ERS consultancy to create a distribution consultancy.

Of the £100m annual turnover for the NFC Distribution Group as a whole, SPD common user and Carrycare account for about £50m, SPD Contract Distribution £30m and GDS £5m.

Mr. Richard Lovell, NFC Distribution Group sales and marketing director, says that the rationalisation of facilities which had to take place to marry up the distribution activities of ERS Distribution

and SPD involved the closure of only about five depots.

That rationalisation is now pretty well completed, leaving the group with about 26 depots to service the common user side, 11 for contract distribution operations, five for Carrycare and five for GDS. Carrycare also shares some facilities with SPD common user operations.

"Overall, the NFC Distribution Group is now by far the largest distribution operator in the country," Mr. Lovell claims.

Commenting on the current make-up of business for the group, Mr. Lovell said that while contract distribution at present accounts for about a third of the annual turnover, they would be looking for this share to increase to something like 45 per cent over the next three years with a generally increased turnover.

"We would expect to see more common user business as well because while more traffic is being dragged into retailer-controlled distribution systems, a decline in manufacturers' own account distribution operations should mean additional traffic being funnelled into third party common user services," Mr. Lovell says.

Response to greater pressures

Contracting out

PHILLIP HASTINGS

MANUFACTURERS and retailers alike are opting increasingly to contract out many of their distribution operations to third party specialists.

On the manufacturing side, many suppliers of fast-moving consumer goods are finding that with their own distribution operations put under increasing pressure by the needs of major retail organisations, they can more easily respond to new situations by using third party distribution facilities.

In some cases, this involves moving out of owned-fleet operations into some form of contract hire arrangement. Effectively, this gives the client company the chance to renege and return its transport fleet without incurring vast new capital investment, but still retain full control over the operation of vehicles.

In other instances, manufacturers and suppliers are having over distribution of their products to third party transport operators. This trend has been boosted in recent years by the development of a wide range of specialised services, for example, catering for hanging garments, fragile goods, frozen/temperature-controlled products, as well as the more general consolidation services operated by companies such as Lowfield, SPD and so on.

Nevertheless, though, the pattern of UK distribution appears now to be moving on to another stage in the evolution of third party services—the development of total contract distribution packages.

Again, much of the impetus for this development has come from the retail side. A number of the major multiple retailers in the last few years have been using their buying power to instruct suppliers to send their goods via a nominated carrier who consolidated deliveries from a large number of sources into a single drop at the high street outlet.

Suppliers deliver direct to the supermarket's central warehouse and the individual high

street premises are serviced solely by dedicated transport, from that warehouse. Faced with operating such large and sophisticated distribution systems, retailers and in turn the suppliers are now often looking to hand over such activities to outside specialists.

Evidence of that and other recent trends in UK distribution comes from the Road Transport and Storage Division of Mitchell-Cotts Transportation (UK), which claims to be number two in the contract hire/contract distribution field after the various National Freight Consortium operations.

According to Mr. Malcolm Burrell, sales and marketing director, about 70 per cent of the company's 2,000 vehicles are employed on contract hire business, with or without drivers supplied, 20 per cent on contract distribution and 10 per cent on contract hire for local authorities.

"The contract distribution side is definitely increasing at the moment and we envisage it continuing to do so. Over the next few years I can see the make-up of our business changing to perhaps 50 per cent contract hire, 30 per cent contract distribution and 20 per cent local authority."

To explain the meaning of the term contract distribution, Mr. Burrell says that Mitchell-Cotts could accept products from the point of manufacture, truck them to a warehouse or group of warehouses which might be owned by the client, Mitchell-Cotts or a combination of the two, store the goods, pick them up and execute that plan, as well as taking care of stock control.

"Our experience so far this year certainly suggests that is what people are looking for, both manufacturer/suppliers and retailers," Mr. Burrell says. "In the food sector, distribution tends to be controlled by the big retail multiples, but in other sectors our experience so far is that demand for distribution services is coming from the manufacturers who are looking for a bolt-on system to fit their existing manufacturing processes."

Supporting this view, Mr

Mark Skipwith, managing director of the food distribution specialist Lowfield, says the company is currently involved in such work for Sainsbury in the North of England and Tesco in the London area. "We see ourselves doing more of that type of operation and this is where we see the future of our business."

While initial growth in the contract distribution field has tended to come from the retail side, he feels the concept will spread to other sectors. Among those likely to show up interest are importers who could band over the whole UK distribution of particular products to one distribution company.

Interestingly, some suppliers have tried to capitalise on their established transport operations by developing their own third party distribution work, again with a view to attracting contract distribution type of business.

For example, Tate and Lyle, the sugar processing company, reorganised its transport operations earlier this year to form Tate and Lyle Distribution Services.

The company basically comprises three divisions—packed products, bulk products and contracts. The first two are primarily concerned with the distribution of Tate and Lyle's own products but the third is now looking for outside work.

Mr. Tony Stanton, managing director of Tate and Lyle Distribution Services, says the company is now looking to expand in any areas of distribution where it can bring its experience and expertise to bear.

At the same time, the company wants to move up the technology market, looking to secure contracts where it could introduce more sophisticated distribution systems.

One of the UK's leading contract distribution companies, National Carriers Contract Services, believes such a trend is closely linked with more general acceptance of the overall concept of physical distribution management (PDM).

In simplified terms, a PDM system means that responsibility can begin even before the point of manufacture. It can include any physical movement, storage and distribution of raw

materials which eventually become part of the finished products, and the final distribution of those products to the customer.

Where an outside contractor is brought in, a full PDM policy can include every stage of storage, movements, scheduling and delivery as the responsibility of that contractor.

The managing director of NCCS, Mr. Mike Tarrant, says: "We are certainly working to move further up the distribution market and can now offer the total PDM package from origin to the final customer."

Overall though, there is still much to learn as far as PDM is concerned, he believes.

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However, such are the complexities of present-day distribution systems that the need for customers and contract distribution companies to work closely together means continuing to be for a minimum of five years. Distribution operators stress the need to establish a real partnership with their clients.

"As a result, dedicated contracts tend not to move around very much," says Lowfield's Mark Skipwith.

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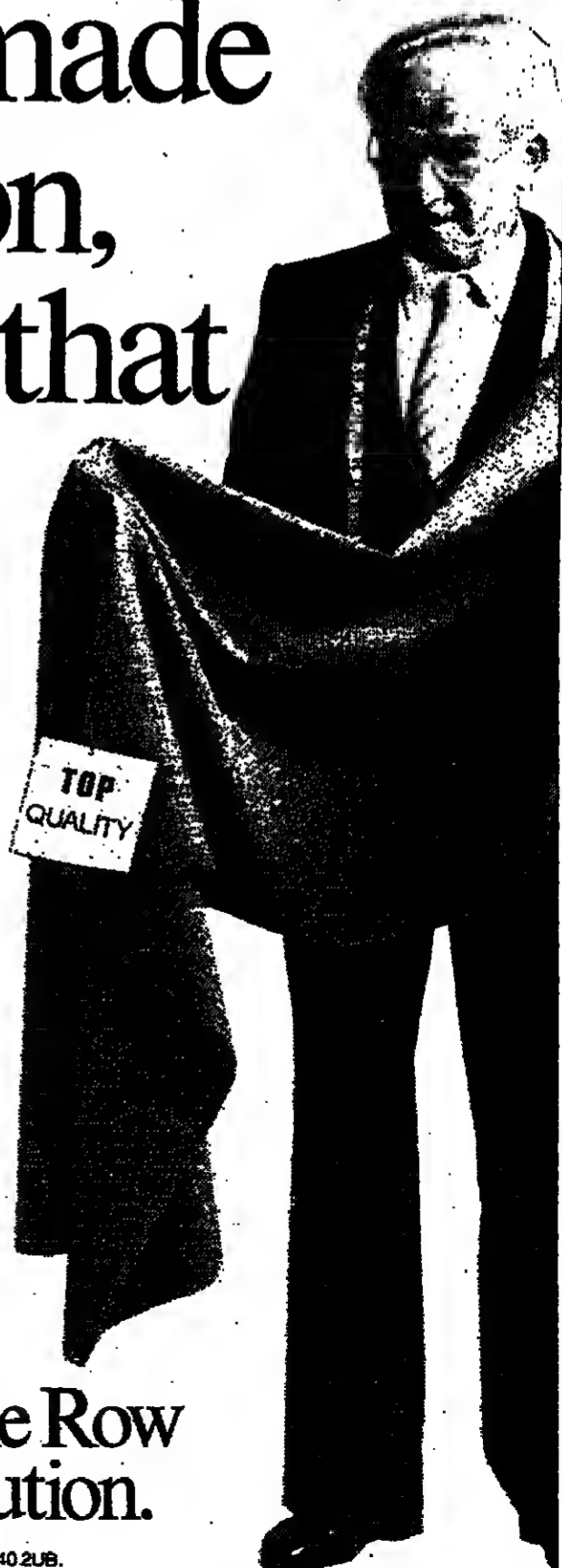
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Mulroney leads from behind

MR BRIAN MULRONEY, the Canadian Prime Minister, has proved far more cautious in power than might have been expected from the undertakings freely made in his election campaign a year ago that he would bring far-reaching change to his country. Mr Mulroney's announcement that he will seek a comprehensive trade agreement with the U.S. was no exception.

Initially it had looked as though Mr Mulroney might ask for a fully fledged free trade agreement, at the risk of infuriating Canada's vocal nationalists. As Ottawa studied the options the words "free trade" were dropped from the official vocabulary. When Mr Mulroney finally decided to announce his intention of seeking negotiations with Washington he spoke merely of a trade agreement and left out the word "free".

That may have been sound tactics on the Prime Minister's part. He may not wish to stir up opposition earlier than necessary. Though his majority is safe and the next election three to four years away, he has been preoccupied with the image of his Government. Leadership has often been from behind. Yet Mr Mulroney must know that if he is to grasp the nettle and opt for a free trade agreement with the U.S. he will have to give leadership of a positive kind sooner rather than later.

For the moment his prevarication is understandable. His Government has been going through a bad patch. Two ministers have had to resign because of internal Cabinet matters; and the first Canadian bank failure in more than 60 years, small though it was, has cast doubts on the efficacy of the supervisory system.

Energy exports

It is not the best background against which to break with more than a century of Canadian history, for that is what a free trade agreement would amount to. The argument between economic nationalists and the so-called continentalists, who want to throw in Canada's economic lot with the U.S. as old as Canada itself but through-out most of the country's history the continentalists have not had things their way. Their case has been greatly strengthened by long term trends that have emerged in the

past 15 years or so. Canada's dependence upon exports of raw materials, once a great asset, has caused difficulties at a time of increasing competition from Third World countries. Even energy exports, a source of strength after the first oil shock, are suffering from the decline of the oil price.

At the same time productivity has been growing only slowly. The reasons are in dispute but most Canadian economists believe that free trade with the U.S. would force greater efficiency on Canadian industry. As against that, labour is afraid that jobs may vanish southward across the U.S. border.

Wider objectives
In any case, it is by no means clear that the Mulroney Government will eventually seek a free trade agreement. Something much less ambitious is still on the cards, such as an attempt to safeguard Canada's economic interests by protectionism—in other words to win better treatment than the U.S. gives other trading partners. There is precedent for this: Canada has not been forced into reducing its American sales of carbon steel.

It must remain at least doubtful whether Washington will agree to something falling short of genuine free trade. Unless the Americans merely intend to use the prospect of talks with Ottawa as a device to achieve wider objectives in the Gatt, U.S. interest lies in getting something more, not less, than a simple free trade agreement. Above all the U.S. wants to have guarantees that Canadian policy towards inward foreign investment does not swing back into the restrictive policies of the 1930s years.

Spending drama in five acts

THE BRITISH Cabinet meets on Thursday to give its final agreement to the principal piece of economic legislation which traditionally fills the void between party conferences and the return of parliament.

As in previous years, ministers are devising new and ingenious acts, charades, and feats of conjuring to be performed in the Public Expenditure Star Chamber which has given a new twist to the PESC acronym. Spending ministers wanting more departmental cash next year must make this case before a tribunal of colleagues chaired by Viscount Whitelaw. Last year, after a particularly arduous performance, he indicated his wish to leave this stage to his successor because the scripts and the performances had become unbearable. But he has been tempted back into the limelight. The Star Chamber performance in the third year of the play begins in February with the publication of the public expenditure white paper and a solemn declaration of support for the planning totals for the following three years by the entire Cabinet.

Solemn support

During the summer (act two) these same ministers redo their sums and somehow manage between them to be claiming on extra £500 million of expenditure for the following year. Much of this is frivolous bidding which is later to be conceded in return for the survival of a few prized items. This next bargaining phase takes place during the 10 day interval. Ministers and their officials queue up for bilateral meetings over tea and biscuits with the Treasury Chief Secretary, appointed for his ability to smile, juggle and throw knives at the same time. This process, accompanied by some sleight of hand with vital stage props such as the contingency reserve and asset sales, disposes of much of the excess bidding. So, the £500 million target for 1986-87 is now down to just over £100 million.

This week's Cabinet will authorise the third act and Lord Whitelaw will set up the Star Chamber. The performances of ministers appearing before it are said to range from naïveté to bathos. Some of the issues by this stage are extremely important and can

only be resolved by arbitration—the level of external financing limits for nationalised industries or the priorities between two competing social security funds. But other issues are not serious and involve gamesmanship; one minister last year began his Star Chamber performance by reading a 20-minute script of lurid prose after which the numbered adjudicators allowed him a bigger prize than he had dared budget for.

Issues still undecided after the Star Chamber move to the fourth act—a more dramatic presentation before all ministers in Cabinet. If no quick solution is found—the five-act nature of the play demands that it could not be—the final scene has to be played: a dialogue over tea with the Prime Minister who neatly resolves the misunderstandings and brings the proceedings back to the next Cabinet.

Rumour and innuendo

Is there any real alternative to this lengthy process. Other countries are faced with much the same predictable problems every year. They too have found that ultimately some way of setting public spending priorities and arbitrating between competing claims has to be found if departmental budgets are to be kept within a planned framework.

However, improvements could be made in the British system. There is no incentive for a minister to settle early in a bilateral meeting with the Treasury if he has a better chance by banging on the Star Chamber and Cabinet. So it might be better to start off with a major Cabinet Committee, chaired by the Prime Minister.

In addition much might be gained if the veil of secrecy were lifted and with it the inevitable negotiation by leak, rumour and innuendo. Publication, coupled with the certainty of having to argue their case early on with the Prime Minister and colleagues, might deter ministers and their officials from putting in unrealistic inflated claims. This shorter and less mysterious scenario would be less amusing but at least the plot would be clear. Public expenditure might just deliver better value for money as a result.



How Moscow sees the world

By Patrick Cockburn in Moscow

MR Mikhail Gorbachev's visit to Paris—tomorrow starts tomorrow—gives fresh impetus to one of the most sustained Soviet diplomatic offensives since the war. It will culminate in the summit meeting with President Reagan in Geneva next month.

Discussions between Washington and Moscow on disarmament suddenly have a greater air of seriousness, if not of optimism, than at any time since 1980. Mr Eduard Shevardnadze, the Soviet Foreign Minister, outlined to President Reagan last Friday Soviet proposals for 50 per cent cuts in nuclear arsenals of both super powers. And Mr George Shultz, the U.S. Secretary of State, said the proposals which were being presented by Soviet negotiators in Geneva yesterday and today, could lead to genuine negotiations.

Both sides are going out of their way to look conciliatory but the Soviet Union is now taking the initiative to a degree not seen under President Brezhnev.

Does this change in style denote a change in substance? The way in which Soviet foreign policy is conducted has changed radically since Mr Gorbachev came to power six months ago and more particularly since he made Mr Shevardnadze his Foreign Minister. The tone of voice in Moscow today is more energetic and reactions faster than during Mr Andrei Gromyko's 28 years as Foreign Minister.

The appeal is now to public opinion in the U.S. and Western Europe as much as to President Reagan and President Mitterrand. This is in contrast to the prolonged, secretive negotiations on arms limitation carried out by Mr Gromyko in the 1970s.

Mr Gorbachev's style is more flexible and less reactive than under President Brezhnev. He is quicker to seize the initiative, also more confident and, in some ways, tougher than the old regime.

The new generation of Soviet leaders take their country's super power status more for

granted than their predecessors and they are resister to assert their claims to visible political and military parity. Hence the expulsion of 31 Soviet officials from London for espionage last month was met with immediate retaliation with a similar number of British evicted from Moscow.

Yet the substance of Soviet foreign policy remains much as it was at the end of last year when President Chernenko decided to resume talks with the U.S. District of President Reagan and all his works remains high. Officials in Moscow are pessimistic about the prospects for an actual agreement on arms limitation. "The pessimism has increased with the last month and headline speeches by senior members of the Administration."

The Soviet offer of cuts in offensive missiles proffered by Mr Shevardnadze, with equivalent cuts to be made in the U.S. nuclear arsenal, depends on an American agreement effectively to abandon the Strategic Defence Initiative—Star Wars programme. This President Reagan has said he will not do.

But if Star Wars is not a bargaining chip, Mr Gorbachev has said there can be no agreement on anything else. "It is high time they in Washington realised," said a senior Soviet commentator in the Communist party daily Pravda last Sunday, "that Moscow has never played at give-away in the past, does not do so now and will not do so in future."

The Soviets see the basis for political détente with the U.S. as the parity in intercontinental nuclear missiles they achieved in the late 1960s. No speech or newspaper article on the topic in Moscow today is complete without the accusation that Washington wants to regain this superiority and, having gained the military edge, to transform this into a war winning capacity.

The Kremlin does not think that this can be done easily but it does believe that the U.S. might get ahead in certain key high technology areas, and for this S.D.I. Star Wars has become

the symbol. "I have heard nothing except the letters S.D.I. all day," complained an American visitor to Moscow last week after a day talking to senior political and academic figures. "It is not that the Soviets believe that Star Wars can ever achieve its avowed aim of a nuclear umbrella for the United States as a whole. What the Soviet scientists do see, says a former U.S. diplomat is an American lead in developing a 'partially effective defence that, while not protection against the full force of a first strike, might be considered adequate against a 'rogged retaliatory strike.' This, is a Soviet 'worst case'."

hence found that his confrontational attitude, the ideological fervour of his speech denouncing the Soviet Union as an evil empire, does not necessarily mean a confrontational policy. President Reagan's attitudes have translated into higher military spending and militant rhetoric. They have not, however, produced notably more combative U.S. policies in three other areas of super-power competition: Western Europe, the Third World and China.

Moscow does not expect a strategic change to its advantage in any of these areas in the immediate future but it does believe that its position is

strengthening in all three. In Western Europe the Strategic Defence Initiative has produced diplomatic opportunities as well as posing a military threat to the Soviet Union. France has opted out of the scheme while Britain and West Germany, intermittingly expressing doubts, have joined the research phase. In Paris, Mr Gorbachev will try to increase the warmth of the continuing détente with Western Europe but there are limits to what the Soviets believe they can achieve.

Soviet hopes that West European governments will pursue different policies from Washington are less now than they were in 1982 before the installation of cruise and Pershing II missiles. In recent weeks senior Soviet commentators have gone out of their way to disavow any attempt to split West European governments from the U.S. The social and class interests linking Western Europe to its Transatlantic ally are so strong and constant that to build a policy on the basis of wrecking

the greater confidence of Soviet leaders is not only relief that the prolonged succession crisis is at last over. Fear of President Reagan is less than it was in 1980-83. The Soviets

those links would be unrealistic," said Mr Alexander Solzhenitsyn in the daily Izvestia last week. He argues, and the same theme is echoed by officials, that the correct Soviet policy is to use Western Europe as a lever on Washington, but with limited expectations. More effort is going into the Soviet bid to consolidate its authority within its own bloc. There has been a series of visits to Moscow by East European and South East Asian leaders, particularly the Vietnamese. Ideally Moscow would like a settlement of South East Asia which would satisfy China but would be acceptable to the Soviet allies in Hanoi. Probably the circle cannot be squared. The Chinese position is still that normal relations with Moscow depend on the removal of three obstacles: the Vietnamese occupation of Cambodia, Soviet troops in Afghanistan and the presence of strong Soviet forces, some 55 divisions, on the northern Chinese border.

Nevertheless the Soviets are relieved that the Chinese have backed away from a strategic relationship with the U.S. based on an anti-Soviet platform. The prospect of such an alliance, which the Kremlin feared was all but complete in 1979-80 at the time of the Chinese invasion of Vietnam, has now diminished.

Mr Shevardnadze's promise to visit Japan, probably in the next few months, may also relieve the Kremlin leaders of some of their fears of Tokyo becoming a serious threat to the Soviet Union's eastern flank. There are still denunciations of Soviet policy escaping from traditional ruts. These are so high Japanese military spending has been a source of concern. Japan seems to be coming out of the cold storage to which Mr Gromyko had consigned it over the past 20 years.

In other parts of the Third World there are also some signs of a change in policy. In the Middle East there is slightly more warmth towards Israel and in the Gulf a better understanding with Saudi Arabia and the Arab oil states.

The most serious problem for Soviet foreign policy is the weakness of the domestic economy

analysis, would give the U.S. a first strike capacity for the first time since the 1960s.

Unless either Moscow or Washington radically changes its position on Star Wars, there is no chance of an agreement at the Geneva summit, but this prospect has not produced as much pessimism among senior Soviet officials as it would during President Reagan's first administration. "They feel much better balanced than they did a year ago," said a Western diplomat here.

The main reason for this is the succession of Mr Gorbachev in March 1985 almost ten years of enfeebled leadership under Presidents Brezhnev, Andropov and Chernenko. This ends a long period when statements from the Kremlin were examined by diplomats in Moscow for medicinal bulletins than declarations of policy.

But the greater confidence of Soviet leaders is not only relief that the prolonged succession crisis is at last over. Fear of President Reagan is less than it was in 1980-83. The Soviets

Maxwell's full house

Hamish Maxwell, aged 59, the Liverpool-born chairman of Philip Morris has only held the top job at America's number one cigarette-maker for just over a year.

Nevertheless, he has already made a major impact upon the company whose Marlboro brand has been the world's most popular cigarette for the last 30 years.

His \$5.8bn acquisition of General Foods (America's biggest food company and incidentally, the producer of Maxwell House coffee) has transformed one of the world's strongest tobacco companies into a group which is now probably bigger than such European multinationals as Unilever and B&W.

Maxwell, whose father was in charge of tobacco rationing in Britain during World War Two, has been described as a meticulous analyst who does not shy away from hard choices.

Having served in the Royal Air Force he went to Cambridge before emigrating to America, where he joined Philip Morris as a salesman in Richmond, Virginia, in 1954. By 1963 he was director of marketing of Philip Morris International. He made his name by expanding the group's international business dramatically at a stroke. This he did by persuading Anton Rumert, the South African businessman, to sell his company's holdings in Rothman International to Philip Morris rather than to its arch rival, R. J. Reynolds.

His association with the group's successful tobacco business appears to have tipped the scales in his favour for the top Philip Morris job last year.

Cheddar bugged

Novel biotechnology may soon come to the aid of those of us who like our cheese mature. Britain's dairy industry is spending £100,000 on trials of a new way of ageing Cheddar cheese, adding microbes specially bred for the job. Cheddar is Britain's most popular cheese. And the strong, flavoured mature version is almost a gourmet food, fetching

Men and Matters

A premium price. Dr Trevor Langley, managing director of Imperial Biotechnology, a company part-owned by Imperial College in London, believes he has found a way of halving the time it takes to age the best Cheddar.

Back in Britain he took on responsibility for the Peugeot-Citroen-Chrysler operations and eventually became chairman of the new name company Talbot. Sir David Orr, former chairman of Unilever who became the Inchcape chairman 2½ years ago, has been working towards a new group top management structure.

He is also providing a seal on the board for Derek Whitaker who joined the group last February after a career with Ford, GEC, British Leyland, and as chairman and chief executive of Rockware Glass.

Inchcape's rock

After living with George Turnbull for a year, the international trading group Inchcape clearly believes the relationship should be put on a more permanent basis. Turnbull, aged 58, who was brought in as managing director under the watchful eye of group chief executive Sir David Orr, is to move into Orr's job in January. Orr will continue as chairman of the group.

Inchcape, with an annual turnover of £220m, now has only a third of its business in general merchandising. Its worldwide motor vehicles trading accounts for nearly half its turnover.

Turnbull, of course, made his name in the motor industry before arriving at Inchcape. By the age of 33 he was general manager of Standards Motors. He went on to become one of the BL Austin Morris division, and chairman of the BL truck and bus division. Before leaving BL in 1973 he had made the key job as group managing director.

With a membership of 16,000 companies and unions, the Society, which was founded in 1919, has had a remarkable year of growth with revenue over £7m, double that of three years ago. It is now extending its services into small businesses like estate agents, and into professional firms, like solicitors.

Cloze's bargains

Sir Charles Cloze obviously retained his eye for a bargain all his life. A few weeks before he died, he was a major buyer at the Christie's sale in Monaco, in 1979 of French furniture which had belonged to Wildenstein, the dealer, but which passed briefly into the hands of Akram Ojeh, the Saudi Arabian financier.

At the Ojeh sale, Sir Charles paid £466,000 for a commode by Leleu. Subsequent research has suggested that the commode actually came from Versailles, and when it appears in another Monaco auction this December, it is confidently expected to top £800,000.

The Charles Cloze furniture collection is being sold for the benefit of Jewish charities, mainly in Israel, and should raise over £2m. But a change this time round is that the auction is being organised by Christie's, its first ever in Monaco, which has traditionally been a Sotheby's preserve. Sotheby's, however, is selling the pictures and other items.

Consolation

Someone in the Prudential Assurance has a sense of humour. It is sponsoring a new production of the Merry Widow.

Observer

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Letters to the Editor

United States' trade deficit

From Professor J. Pearce
Sir, It would be difficult to count the number of times we have been told in recent weeks that the United States' trade deficit must by definition be financed by the savings of the rest of the world. Yet this proposition has long since ceased to be true either by definition or in fact. It is not true as a fact on any meaning of the word "savings" acceptable to a reasonable person; nor can it be given even the appearance of truth by definition except by a form of arithmetic which solves the problems of inflation accounting by ignoring them.

When the U.S. imports more than it exports, the difference is ordinarily paid for in U.S. dollars which are readily deposited in U.S. banks transferred from the accounts of U.S. importers. But this does not mean that U.S. banks are increasing their net debt; for their growth in liabilities to foreign banks is exactly matched by diminution in their liabilities to importers. No individual or institution in the U.S. need be borrowing in the sense of increasing his (or its) net liabilities just because of the trade deficit. Nor need any U.S. resident think for one moment of borrowing or buying foreign currency to pay for imports as long as dollars remain universally acceptable.

Conversely, foreign exporters of merchandise to U.S. must be paid in local currency by their own banks which receive dollars on their behalf. They need not save. The non-U.S. banking system will, of course, be acquiring dollar-designated assets but it will be increasing at the same time corresponding liabilities in the form of demand deposits in local currencies, created to pay exporters. Banks do not save. Their net acquisition of assets is ordinarily zero. No single person or institution in the non-U.S. world need be saving in the sense that he (or it) is

accumulating more assets than liabilities.

Of course, it must be true that at each moment of time, the U.S. is successfully buying more than the value of its production, at given prices, than the rest of the world must be buying less than the value of its production. But this does not imply that the rest of the world is spending less than its income. Indeed, it is likely to be spending more in money terms than is sufficient to buy the goods and services available after U.S. demand has been satisfied. Foreign prices measured in local currencies are likely to be continuously rising. The U.S. trade deficit can, and probably does, generate inflation throughout the rest of the world sufficient to release the merchandise it is demanding without any act of saving or even consciousness of saving on the part of any individual or institution. Trade surpluses need have nothing whatever to do with the item "savings" entered in national accounts.

At this point the reader unfamiliar with the problem might well ask "so what?" even though it would hardly be possible to exaggerate the importance of the answer. The fact that countries are able to borrow without borrowers and to borrow from other countries without lenders is the principle factor undermining the mechanism which, under different circumstances, would automatically eliminate balance of payments problems altogether. It is the direct consequence of the use of false money, that money which fails to specify and secure the commodity standard of value which it is supposed to represent. It permits the indefinite accumulation of what might be called pseudo-debt to the point where debt services and debt management transactions overwhelm those related to commerce with consequences which are with us now for all the world to see.

(Professor) J. Pearce, Department of Economics, The University, Southampton.

Defence equipment buying

From Mr R. H. W. Bullock
Sir, I should like to lend strong support to Mr Channing's criticism (September 25) of Dr Keith Hartley's naive advocacy of more foreign purchases of defence equipment.

Foreign equipment inevitably means foreign defence components; besides, many statements of good intentions, it has been made almost impossible in practice for UK firms to get sub-contracts from the Trident programme. It is the best foreign purchase agent.

Has Dr Hartley, defence economist of the York Institute for Research and Social Affairs,

studied the effects on the UK electronic components industry of increased foreign equipment purchases? Has he considered the potential long-term cost to the nation of deploying the Defence Budget in ways which weaken rather than strengthen the competitive position of British industry?

R. H. W. Bullock, Electronics Components Industry Federation, 778 Sotheby Road, W1.

Labour's plans for the City

From Mr D. Jones
Sir, Your editorial (Sept 22) attacking Labour's plans for the City was just ignorant. The journalists who wrote the piece had not done their homework properly. Old-style exchange controls are inappropriate for a modern government. Yet the concerns of international financiers are not necessarily those of an incoming government determined to implement practical measures to reduce unemployment. This clash of priorities might result in speculation against sterling. This either requires a Labour government to give incentives for counterbalancing flows across the exchanges or it must raise interest rates to the detriment of jobs and industry. We have chosen the first option by announcing that we intend to withdraw some of the UK tax concessions that are available on investments made in competitor economies. Perhaps your leader writers would prefer the high interest rate-high unemployment option—but perhaps they could explain how this differs from current conservative policy? Or is this the real complaint—that Labour is putting forward a coherent alternative that is not conservatism?

There were a number of more specific problems with your editorial. Labour does not argue that the shortcomings of the City with its neglect of domestic industry is the root cause of our poor industrial performance. Nevertheless it is an important factor alongside poor management, poor training, inadequate investment and slow adaptation to new technology.

You imply that extra competition in financial markets is a good thing. The National Investment Bank will add to this competition. It will also provide other services generally not available in this country but available overseas. For example soft loans, long-term capital and industrial back-up. At times it will seek to operate alongside City institutions in joint ventures in the same way that institutions such as the West Midlands Enterprise Board operate in conjunction with Lazard Bros. Your leader seems to reflect the City fear that their monopoly will be shaken up by new players at outside competition.

You state that the NIB will be staffed by "diligent bureau-

crats." This somewhat pejorative term is not the best way to describe the bank's staff who will not be civil servants. As well as building on the work of an existing institution such as the NIB, much use will be made of consultancy and secondments from industry.

It is asked whether we have heard of the principle of comparative advantage. The principle has to be taken into account but only as a "O" level economist (and perhaps your leader writers) would want to apply it regardless of the real world.

There is an implied criticism for wishing to direct repatriated funds into productive industry rather than leaving them to be used in unproductive and speculative inflation of the prices of existing assets. Perhaps your leader writers should have explained why such inflation is preferable to investment.

Although the repatriation of assets would be phased over a substantial period it is true that the NIB would have substantial funds at its disposal—initially too much to lend productively to industry. Indeed, we stress that the build-up of industrial lending would have to be relatively slow to ensure that mistakes were not made and that a proper and cautious appraisal of projects is carried out. This will leave the NIB with a surplus which can be used as finance public and private infrastructure spending and repairs. NEDO, for example, has estimated that there is a £15bn backlog of repairs that needs doing.

Labour is accused of rejecting the presumptions of mainstream economic textbooks. What are these? That governments can affect the level of demand and employment; that markets are normally neither perfect nor always productive of desirable outcomes and therefore cannot be left entirely to their own devices; and that intervention via the tax system is required to bring a fairer distribution of income and wealth. It is the Conservatives—not Labour.

Doug Jones (Economic Assistant to Roy Hattersley MP), House of Commons, SW1.

Real wages and employment

From Mr J. Symons

Sir, Professor Wood (September 23) notes that Britain's relatively low real wage growth since the war has not brought us low unemployment, which seems to contradict the existence of the link between wages and employment for which I argued on September 18. But the demand for labour depends also on physical capital. This grows in accordance with the opportunity for profitable economic activity (itself determined by technology and the human qualities of the workforce) and makes possible increases in the real wage without falls in employment. Of course capital per head has grown slowly in Britain compared to the EEC and to Japan in particular. My point is that in Britain the wage has grown at times faster than warranted by capital growth.

Mr Meyer (September 23) appears to be worried about labour supply. It is perfectly true that increases in the real wage could draw more people into the labour force so that unemployment would rise. But I do not study this; rather I study the relationship

between employment and the wage. My table has caused confusion. It was intended to demonstrate that the successful economies are precisely those which significantly reduce the real wage when unemployment increases. I can see no other interpretation of these data.

Mr Howell (September 24) seems to think that the market-clearing wage is below "accepted minimum standards of dignity." But there is no reason to believe that the market-clearing wage is less than 10 per cent its present level, which is just two or three years' natural growth. I do agree that exhorting workers to moderate wage claims is unpopular. The employed majority, never before so prosperous, do not like having it explained to them how their prosperity is to blame for the unemployed. That the truth is unpopular is a political problem to which I do not know the answer. Wider share ownership is perhaps desirable especially in my case, but obviously irrelevant.

James Symons, Centre for Labour Economics, London School of Economics, Houghton Street, WC2.



Union warfare in the banks

From the General Secretary, Bank of England Staff Organisation

Sir, We are disappointed at the breakdown in the merger talks between BIFU (Banking, Insurance and Finance Union) and CBU (Clearing Bank Union).

Managers and staff throughout banking perceive job cuts, automation, and moribund career prospects as facts of life. A hard market has produced more non-union, non-banking competition. It is

absurd to ignore the effects of this volatility on pay bargaining. Furthermore the dead hand of the Government is increasingly close to pay negotiations both in the clearing banks and the bank of England. Divided staff representation is simply out of date. A widespread consultative ballot on producing terms for a single union is urgently needed. This would be more constructive than the current warfare in the banks (September 20). Ray Shuttleworth, 49 Queen Victoria Street, EC4.

Liverpool and the Government

From Mr Stephen Main

Sir, Your leader writer (The Midlands of Liverpool, September 25) appears to avoid the important issue raised by the crisis in that city. The important thing to understand, he says, is that "solutions exist and the power to implement them rests—rightly—in the hands of the council leaders."

It is true that the council leaders do have the power to implement certain solutions. In general, someone has the power to do something just so long as they can do it. But it is equally true that such power rests in the hands of central Government, who could solve Liverpool's problems if they so wished.

Placing the power to solve the city's problems rests in the hands of anyone with sufficient money to enable the council to put into practice the policies on which it was elected.

The point interesting your leader writer lies elsewhere. It is plainly his view that the council has a duty to solve the

financial problems facing Liverpool, which duty is not shared by central Government. This is really the central issue. By taking money raised by the council away in penalties the Government is, to some extent, determining what the council is able to afford to do with the money it raises.

It may be that the issue is a complex one. Your leader writer, however, forbears from any discussion of it, and is content simply to note the claim that "Liverpool's ills are the results of cuts in grants and penalties for overspending."

Without discussion of the main issues, how can the conclusion be drawn that "it is neither necessary nor desirable, therefore, for the Government to intervene." The use of "therefore" suggests reasoned argument; it is unfortunate that none is offered against the Liverpool council's case.

Stephen Main, Department of Philosophy, University of Sheffield, Sheffield.

The reform of pensions

From Mr W. Melhuish

Sir, I totally disagree with Michael Prowse's article on Pensions Reform (September 20). What Mr Prowse's argument amounts to is that Mr Fowler has gone too far. I believe he has not gone far enough. It seems to me that great benefits could be obtained, economic and political, even party political if occupational pension schemes became a thing of the past. This should apply to the public and the private sector. Existing rights would of course be preserved but future pay would be increased to compensate for the abolition of occupational pension schemes.

Each person would then take out his own personal pension suited to his own requirements. Those with large families and/or mortgages would no doubt make less immediate provision, catching up later when commitments became less. There is already considerable scope for this within the existing "self-employed" pension rules.

I do not believe the argument about bi-partisan support being essential. What about owner-occupation? Not many years ago the Labour Party opposed this. Now bi-partisan support has arrived. Personal pensions may well be similar. The ownership of one's home brought great benefits, not least to the party which advocated it. Personal pensions could be the next major item in the move towards a property-owning way.

I suppose that makes the Good Samaritan the best publicised crypto-imperialist of all time. And Mr Powell has a part to play in the perable too.

W. A. Melhuish, 45, Sutton Road, Seaford, Sussex.

Crypto-imperialism of old

From the Chairman, Commission for Racial Equality

Sir, Your report (September 20) Mr Powell as suggesting that international aid was a form of "crypto-imperialism" which denied others the right to go to the devil in one's own

way.

I suppose that makes the Good Samaritan the best publicised crypto-imperialist of all time. And Mr Powell has a part to play in the perable too.

W. A. Melhuish, 45, Sutton Road, Seaford, Sussex.

The Downing Street Policy Unit

In the Thatcher mould

By Peter Riddell, Political Editor



Mr John Redwood (left) and Professor Brian Griffiths

WHEN Prof Brian Griffiths, of the City University Business School, becomes head of the Downing Street Policy Unit later this month, he will be taking over the vanguard of Thatcherism in Whitehall. Over the past two years the unit has been the cutting edge of the Government's radicalism—providing ideas for the Prime Minister and assisting her ministerial allies.

Ministers and officials always want to know what the unit is thinking, and doing, not least as an indication of how Mrs Thatcher herself is likely to react when a matter comes up before a Cabinet committee. It is now a factor to be reckoned with, even though its recent record of success has been mixed.

The current unit is largely the creation of Mr Ferdinand Mount, its head in the 1982-83 period, as built upon by his successor Mr John Redwood, from the beginning of last year until this summer (when he resigned after being selected as Conservative candidate for Wokingham). Their task was to expand the unit following the abolition in mid-1983 of the Think Tank, more formally the Central Policy Review Staff. There has also been a deliberate change in approach after the frustrations experienced by the three-man unit under Sir John Hoskyns from 1979 to 1982 in their crusade against the prevailing Whitehall orthodoxies.

Professor Griffiths will be very much in the tradition of recent appointments as a long-standing supporter of the Government's economic approach and as a writer on the moral and Christian justification for wealth creation.

Under the Mount/Redwood regimes, the staff has been increased to nine, having absorbed a couple from the Think Tank. Based in a few rooms at the top of No. 10, they form a mixture of recruits from outside Whitehall (often bright young men in their late 20s or early 30s) secondments from the private sector (at present including Mr John Wybrew from Shell) and civil servants on temporary transfer.

A number of the staff have commercial experience, including Mr Redwood, from Rothschilds, Mr David Hobson, now a part-time adviser who was a partner of accountants Coopers and Lybrand, and Mr Peter Warry, who ran a BL subsidiary. This mix of experience and general approach is similar in

many ways to the original Think Tank under Lord Rothschild in the early 1970s, though with a somewhat older average age (43) and a deliberately lower public profile.

However, unlike the Think Tank as it became, the unit has sought to be very much closer to policy issues of the day and less domineering in not aiming to produce the definitive answer on a particular issue in a mammoth report. But like the Hoskyns unit, its starting point is the known preferences and views of the Prime Minister.

The current unit interprets this role in several ways. There is the traditional one of advising the Prime Minister on immediate issues on a political way along the lines devised by Mr Bernard (now Lord) Donoughue's original Policy Unit in the Wilson and Callaghan administrations, as well as the post-Think Tank job of devising new ideas. In addition, it has looked outside Whitehall as Mr Redwood has actively encouraged his team to get out and about to talk to public and private sector managers to provide an alternative perspective.

Inside Whitehall, the unit has become "oil as well as grit." It has helped keep departments in touch with the Prime Minister's thinking at the same time encouraging ministers and officials to produce new ideas which might otherwise have been buried in the bureaucratic machine. It has acted as a progress-chaser to prod ministers to see that the Prime Minister's priorities are fully implemented.

This activism has had its soaps. Initially, Mr Redwood's team did not always see all the

right papers or attend all the important meetings. But these problems have eased as the unit has been seen to be working with the Whitehall machine, rather than against it, as the Hoskyns unit was often accused of doing by officials.

Some ministers have welcomed the assistance of the unit, while others have resented its alleged interference. For example, the unit has acted as a broker between the Treasury, with which it has close relations, and the Department of the Environment over their very differing views, now slightly narrowed, over reform of the rating system. Nevertheless, at times, the unit has put its political bat on and said the Treasury is asking too much. The arrival of Lord Young on the Whitehall scene a year ago, as co-ordinator of job creation ideas, has helped since, as chairman of several Cabinet committees, he has advanced some of the unit's ideas.

Its brief excludes most foreign affairs and defence questions and, by choice, it has deliberately not spent much time on areas where there is already considerable momentum such as privatisation.

Instead, the unit has been most prominent on micro-economic and social questions. It can claim some credit for having focused ministerial attention on issues such as acid rain, crime and violence, planning regulations, inner cities and deregulation.

However, the unit has recently had some setbacks. Mr Christopher Monckton, its housing specialist, was closely involved with Mr Ian Gow, the then Housing Minister, in urging the end of rent controls

on new letting of private housing, though other members of the unit, including Mr Redwood, were sceptical of the likely gains. The plan was shelved by the Cabinet until after the next election. Similarly, some of the unit's ideas for a radical overhaul of social security, such as a selective approach to child support, were not acceptable.

The unit was also involved in discussing whether the Government should give additional guarantees to BL. Both Mr Redwood, author of a book critical of the Department of Trade and Industry's support for industry, particularly the motor sector, and Mr Warry, were regarded by BL executives as being sceptical about the group's investment and marketing plans. In the end, political pressures persuaded Mr Norman Tebbit, the then Trade and Industry Secretary, and the Cabinet to approve further support for BL.

These decisions may reflect as much the caution of the Cabinet, and the increasing influence of the "consolidators" as the activities of the unit—described by one friend as "Thatcherite in mould and radical in intent." The unit's distinctive political role on behalf of the Prime Minister has, however, prompted some critics, former ministers and officials to argue for the creation of a body which stands back more and gives detached advice to ministers collectively rather than just Mrs Thatcher—namely a revived Think Tank.

Mrs Thatcher clearly does not want such a body. As Professor G. W. Jones has pointed out in an essay in "The British Prime Minister" (edited by Professor Anthony King and published by Macmillan), Mrs Thatcher is "the most interventionist Prime Minister since Lloyd George and has sought to mould the staff around her to enable her to find out more of what the departments are doing, to scrutinise their activities and to provide other options to their proposals."

On its own, this interventionism does not mean that she has created a Prime Minister's department since the policy unit and the Downing Street Secretariat are still small by any international comparison and have no executive responsibilities. But, by expanding the unit, Mrs Thatcher has moved slightly further towards Prime Ministerial... as opposed to Cabinet, government.

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SECTION II - COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday October 1 1985

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Canada to investigate failure of banks

By Bernard Simon in Toronto

THE Canadian Government is to seek a liquidation order against a second bank in western Canada, and has named a supreme court judge to investigate the country's first bank failure in 82 years.

Mrs. Barbara McDougall, Minister of State for Finance, said yesterday that Northland Bank of Calgary had failed to find a suitable amalgamation or restructuring proposal since it was placed under curatorship on September 1.

At that time, the Government announced that it was putting Canadian Commercial Bank of Edmonton into liquidation, but that Northland would be given a limited time to restructure.

Both banks, with combined assets of C\$4.1bn (U.S.\$3.5bn), were hit by the recession in the western Canadian property and energy sectors.

The Government sponsored an abortive C\$250m rescue package for CCB in March. The Bank of Canada subsequently provided short-term loans totalling C\$1.8bn to the two banks to cover withdrawals by nervous depositors.

Mrs McDougall said Northland's curator reported last Friday that the book value of the bank's loan portfolio "does not reflect an adequate provision for loan losses." The additional amount needed would exceed Northland's capital base.

Reports surfaced late last week of several rescue bids for Northland, including one from a consortium led by Royal Bank of Canada and Western Bank, the country's first and sixth largest banking groups. But none of these proposals was considered suitable by the Government.

The collapse of the two Alberta banks has prompted concern about the adequacy of Canada's regulatory system for financial institutions. Supreme Court Judge William Estey has been instructed to investigate all aspects of the two banks' failure.

Quadrupled profit for Toro Assicurazioni

By Alan Friedman in Milan

TORO Assicurazioni, one of Italy's largest insurance companies, more than quadrupled its group net profits for 1984, to L54.1bn (\$36bn). The Turin-based company, which is controlled by the Agnelli family of Fiat, said its total premiums last year rose by 13.1 per cent to L1,025bn.

Investments as at December 31 amounted to L1,005bn, which was L248.2bn higher than in 1983. Investment income for 1984 came to L248.2bn, an increase of 21.8 per cent.

At the end of the first half of this year, the group's premiums totalled L522.5bn, with particular rises in life policies. Property holdings at June 30 of this year were valued at L341.2bn.

Meanwhile, La Fondiaria, the Florence-based insurance company in which the Montedison group now controls a 25 per cent stake (following its recent takeover of the BNL investment holding group), said its first-half group premiums were up by 15.3 per cent to L704bn.

Sales, the energy subsidiary of the Montedison group, yesterday reported a 50 per cent jump in first-half operating profits to L100bn (\$36.8bn). The company's first-half turnover was L1,350bn.

Emhart launches double deal

By Maggie Lurry in London

EMHART, the U.S. industrial machinery and chemical group whose best-known product is Bostitch glue, was providing most of the excitement in the European market yesterday with news of two deals.

A \$55m "Euro-Starling" issue was launched by Kleinwort Benson, while BNP-Paribas set terms for the DM 175m deal to be launched today.

Emhart has extensive operations in Europe and it is thought that the new issues are refunding earlier borrowings as well as hedging the group's currency exposure.

The Starling issue was a seven-year maturity and pays an 11 per cent coupon. Issue price is 100% and, less the 1% per cent fees, the bonds yield around 8% basis points more than UK gilts of the same maturity. The bonds are being marketed out that there have been no new fixed-rate starting bids for some weeks. The bonds were trading just inside the two.

Siemens' expansion plans send Gould share price higher

By John Davies in Frankfurt

SHARES in Gould, the U.S. electronics group, continued to rise yesterday as rumours grew of an impending takeover, possibly by Siemens, the West German electrical and computer concern. Siemens is bent on expansion in the U.S. although not at any price. For this reason, the Munich-based company is bound to be interested in buying at least part of Gould.

The takeover rumours sent Gould's share price soaring on Wall Street last week. On Thursday Gould shares jumped \$3 to \$30 - their highest level for more than a year - in very heavy trading. Early yesterday Gould's shares rose a further 8% to \$30.75.

Gould, with sales of \$1.4bn a year, would certainly be well within reach of Siemens, which has built up a hoard of cash and liquid assets that would be impressive even for a bank.

It is common knowledge that Siemens had cash and liquid assets of about DM 20bn (\$7.5bn) a year ago, and executives suggest that the amount could not have changed in any dramatic degree since then.

Siemens in fact has been swimming in profits. Its net earnings after taxes rose 33 per cent to DM 1,060m in its financial year to the end of September last year, on sales of DM 45.5bn. It made almost as much profit in the first nine months of the financial year which has just ended.

Because of its well known ambition to scoop up operations in the U.S., Siemens has been receiving approaches from many companies - some considered "lumpy", others "more serious".

Gould clearly falls in the category of more interesting possibilities; as it would tie in well with Siemens' efforts to build up factory and office automation systems, as well as other, future-oriented lines of business.

In the electronics industry it is widely understood that Gould is on the market, but there is speculation about whether Gould's defence interests, with sales of about \$400m a year, would be either offered to or accepted by Siemens.

Paribas sets up new venture capital fund

By David Marsh in Paris

PARIBAS, the French nationalised investment bank, has completed raising a \$50m venture capital fund which will be placed in small, high-growth companies in a number of Western countries.

The fund has been subscribed by U.S., Belgian, British and French investors, including pension funds, insurance companies, financial institutions and industrial groups. The number of participants is about 30, with Paribas itself putting up around 15 per cent.

The fund is one of the biggest put together by French institutions in bank venture capital activities. Paribas says it is now managing \$125m in such funds, including its existing venture capital schemes put together over the last few years to invest in the U.S. and Japan.

Paribas runs its venture capital activities through an advisory company called Paribas Technology. The bank's first U.S. venture capital investments were made in early 1979, before Paribas was nationalised, and have been built up steadily since then.

The bank said yesterday the latest fund would invest in companies in the U.S., Japan and France.

Merrill recruits new treasurer from GM

By Paul Taylor in New York

MERRILL LYNCH has recruited Mr. Roger Birk as chairman in April.

As part of the reorganisation Mr. Daniel Tukey was elected to the number two job as president and chief operating officer of the financial services company.

Mr. Jones' appointment was jointly announced by Mr. Schreyer and Mr. Tukey yesterday. Mr. Jones, who will also serve as a Merrill Lynch executive vice-president and member of the Wall Street firm's corporate office, will report to Mr. Tukey.

BSN suffers setback

By David Housego in Paris

BSN, the French food and beverage group, suffered a substantial fall in profits during the first half but expects to end the year with net earnings above the 1984 level.

The group reported yesterday that first-half consolidated profits fell by 37 per cent to FF 321m (\$39.5m). However, sales rose 3.8 per cent to FF 14.5bn. But M. Antoine Riboud, the chairman, forecast a sharp pick up in profits in the second half and said that for the year as a whole net earnings would be significantly above the group's 1984 performance.

The downturn in the first half was in part due to the bad weather in Europe curbing sales of soft drinks and beer. Profits in the drinks division were cut by 37 per cent to FF 78m.

The other major factor behind the fall in earnings was a conflict in France between BSN's milk products division and some of the major supermarket chains.

Ericsson withdraws from U.S. PC sector

By Kevin Done in Stockholm

ERICSSON, the Swedish telecommunications and electronics group, is withdrawing from the U.S. market for personal computers barely a year after the market launch.

The group had ambitious plans to sell some 15,000 to 20,000 PCs in the U.S. this year, but sales have totalled only 3,000.

Production of personal computers at its plant in southern Sweden has been shut down since June and is not expected to resume before early 1986.

Ericsson's PC marketing agreements with U.S. computer dealers expire at the end of the year, and they will not be renewed.

The group will continue to market PCs in Europe, and PCs will also be available in the U.S. as components in telecommunications networks. Ericsson is not alone in running into serious problems in the U.S. - competitors, such as IBM, Wang, and Apple Computer, have been equally hard-hit - but for the Swedish group, the decision to withdraw from the U.S. personal computer market is only one part of a major overhaul of its strategy for tackling the U.S. telecommunications and information market.

The group has run up heavy losses on its attempt to enter the information industry, and it has abandoned its plan to sell products for the integrated "office of the future" in the U.S.

Ericsson Information Systems worldwide in the U.S. is being cut from 1,100 to 600, and the division is concentrating its future efforts on the MD sale of the MD 110 private subscriber exchange and banking terminal systems.

NatNed wins Japanese trading permit

By Laura Ram in Amsterdam

NATIONALE-NEDERLANDEN, the largest insurance company in the Netherlands, has become the first European insurer to operate in Japan with the opening of a life insurance office yesterday.

An informal permit from the Japanese authorities is to be followed by a formal licence in the spring of 1986 and opens a three-year struggle to gain entrance to the tightly regulated Japanese market. The only foreign insurance companies previously allowed into Japan have been American.

Nationale-Nederlanden has persevered with the lengthy application because Japan, as a heavily insured country, is considered a promising market. When the insurer 18 months ago received tentative approval for four products to be sold in Japan, the company estimated the Japanese market would provide about FF 1,500 (\$302) per person in premiums. Japan accounted for nearly 14 per cent of the West's premium volume, Nationale-Nederlanden estimated at the time.

The Hague and Rotterdam-based insurer operates in 24 countries and reported turnover of FF 18.6bn last year.

It will market its life insurance in Japan through the Showa Shell dealer network and another network of agents already selling non-life insurance.

Norwegian insurer gains in first half

By Fay Gjester in Oslo

STOREBRAND-NORDEN, Norway's largest insurance group, lifted profit before allocations by Nkr 25m (\$3.2m) to Nkr 160m during the first half of 1985. A strong improvement in results from financial activities, including profit from share sales, exceeded losses on domestic and foreign non-life insurance.

Mr. Jan Erik Langangen, the managing director, said group results for the year, excluding life business, would almost equal last year's figure of Nkr 350m if non-life claims were lower in the second half in the first half of the year.

Mr. Langangen, who replaced Mr. Jammick Lindhaek as managing director only three months ago, after reported disagreements between Mr. Lindhaek and the board, said that Storebrand has recently realised large profits on share sales.

"Share prices have now risen so high that we felt the (share sales) was prudent. When the market starts to fall it is too late for a major investor like us to pull out."

PRIVATISATION ISSUE HIGHLIGHTS WEAKNESSES OF MILAN BOURSE
Opening up the Italian market

By Alan Friedman in Milan

THIS morning a delegation of Italian state industry officials, bankers, stockbrokers and politicians will gather on the floor of the Milan bourse for what should be a cheerful occasion. The cause for festivities is the listing - nearly four months after the equity issue - of newly-privatised shares which make up 40.25 per cent of Sirti, the state telecommunications installation company.

The Sirti issue, which raised L201bn (\$110m) for the company's IRI-Siret parent holding group, is the largest so far of Italy's new wave of partial privatisations. The company holds a virtual monopoly on the installation of long-distance cable systems in Italy and has successful subsidiaries operating in Saudi Arabia, Brazil and Spain.

Financially speaking it is a gem. Its 1984 net profit of L54.5bn on L458bn of turnover represented twice the income level of 1982 and nearly five times the company profit of 1978.

Sirti's debt is negligible. It has an extremely close relationship with Finelli (which has supplied most of the 100,000 km of cable installed in Italy since 1921) and overseas has proved itself adept at winning contracts like the present \$300m deal to install 2,500 km of coaxial cable for a telecommunications system in Saudi Arabia.

But the privatisation issue has not been free from controversy. The main charge levelled in Italian financial circles is that the issue of 32.8m shares at an offer price of L3,850 a share was a "giveaway." There have been allegations that the share pricing bore little relation to the actual market. That a limited number of institutions mopped up large chunks of the issue and that the individual investor had little chance. Added to these charges, there has been a very long wait for the shares to be listed, from the time of the offer last June until today.

These are the criticisms, and while there may be some exaggeration, they do highlight some of the broader problems related to developing the Milan bourse as a truly functioning free market. Real free-market competition in the Wall Street sense, for example, will take longer to mature in a bourse such as Milan, with its tradition of insider trading and its closed circuit of state banks and insurance companies which function as the main players.

The Sirti issue is thus a good case study of privatisation Italian-style. As in all new issues on the bourse, the initial price evaluation was done by an executive committee of stockbrokers. The committee took the company's L2,400 net asset value per share and decided on an offer price of L4,200. Banca Commerciale and the other 14 banks in the underwriting consortium then went ahead with an issue priced at L3,850 a share, a price/earnings ratio of 7.8.

The pricing was done in May, subscriptions for shares was meant to open on June 10 and run for 10 days and, while individual investors were limited to a maximum of 5,000 shares, institutions were able to buy shares without any ceiling.

What happened next caused quite a stir. Subscriptions were closed, not 10 days after June 10, but before the end of the morning of June 10. Within 48 hours of the issue's launch the price of Sirti shares on Milan's unofficial free market (known as the Terzo Mercato) shot from L3,850 to more than L6,000.

Many individuals reported being turned away as early as 8.30 on the morning of the offer. There were said to be an initial 57,000 shareholders, but this number soon diminished as grey-market transactions soared. The three foreign underwriters who took a total of 13 per cent of the new shares - Warburg, Goldman Sachs and Swiss Bank Corporation - were more than satisfied.

Four days after the Sirti issue opened (and closed) the Consob stock market regulatory authority called for special controls on the grey market. Yet bureaucratic delays meant that official trading starts only today, and the grey market has therefore traded happily for four months now. Sirti's share price has stood in recent days at around L7,000, or 82 per cent above the offer price.

A giveaway, or a runaway market success? In the Milan bourse a rather fine line may divide the two. After all, the bourse has been booming since the start of the year, the share price index has risen by 75 per cent and foreign investors have been pouring funds into Italian equities.

Sig. Francesco Gelfi, Sirti's managing director, explains the matter this way: "This is a special moment for the Milan bourse. The boom is quite extraordinary, and the price of Sirti shares was fixed before the latest stage in the boom." Sig. Gelfi says the distribution of shares was fair, while in the bourse stockbrokers claim a few institutions staggered heavily.

All that can be said is that a period of four months between the share offer and official listing seems a lengthy delay, even if it is frequently the norm. And the manner in which new issue prices are determined - through a bourse committee and then a handful of state banks - perhaps leaves something to be desired.

Midland plans Trinkaus share flotation

By John Davies in Frankfurt

TRINKAUS & BURKHARDT, the West German private bank largely owned by Britain's Midland Bank, is expected soon to offer shares to the public and embark on a stock market listing.

As a result, Midland is expected to reduce its stake from 92 per cent to a little more than 70 per cent, a goal it has had in mind for several years.

Investors are likely to be offered a stake of more than 20 per cent, with the rest held by present and past managing partners of the bank.

Trinkaus has declined to confirm the move, but it is widely known in financial circles in West Germany that preparations have been under way for some time.

Midland bought a majority stake in Trinkaus & Burkhart from Citibank of the U.S. in 1980 and later took over further holdings, including a stake of more than 20 per cent from Banque de l'Indochine et de Suez of France.

Trinkaus executives have often stressed, however, that Midland aims to limit its holding, conscious of Trinkaus' image as a long-established German institution.

Trinkaus has taken a number of steps which have been generally interpreted as leading up to a stock-market launch, although executives have always stressed that this was no more than a possibility.

Earlier this year, the bank changed its structure from a partnership to a corporation with a nominal value of DM 5m and that these will form part of the stake offered to investors.

In a further move, the bank's owners authorised a possible capital increase of up to a nominal DM 25m (\$8.4m) at an extraordinary general meeting in Düsseldorf on Friday. Significantly, the meeting excluded the right of existing shareholders to subscribe to DM 5m of this new capital.

It is believed that bank executives will soon exercise this authority by increasing the bank's capital through new shares with a nominal value of DM 5m and that these will form part of the stake offered to investors.

All of these Securities have been offered outside the United States.
This announcement appears as a matter of record only.

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INTL. COMPANIES & FINANCE

BHP to spend A\$1bn on major minerals expansion

BY MICHAEL THOMPSON-NOEL IN SYDNEY

BROKEN HILL PROPRIETARY (BHP), Australia's largest company, is spending A\$1.02bn (US\$714m) on a major expansion of its Australian iron ore and coal interests.

The main beneficiary is CSR, the Australian oil to sugar group, whose debt burden will be eased by selling BHP its 30 per cent stake in the Mount Newman iron ore venture in Western Australia for A\$480m, and its 22 per cent interest in the Thales Damper Mitsui Coal (TDMC) operation in Queensland for A\$140m.

In addition, BHP is paying A\$400m for its 25 per cent share in Mount Newman. As a result, BHP's overall stake in Mount Newman will rise from 30 per cent to 55 per cent and in TDMC from 58 per cent to 80 per cent.

The news reflects robust good faith in Australian iron ore and coal mining, and follows last Friday's announcement of a first-quarter net profit at BHP of A\$304.2m, indicating a 1985-1986 net profit of well in excess of A\$1bn.

Mr Brian Linton, BHP's managing director, said yesterday that BHP had offered to buy part of CSR's Cooper Basin oil and gas interests, but was happier with the deal now struck. CSR is now less likely to need to sell part of its Delhi oil and gas group.

In the past three years, BHP has spent more than A\$3.5bn on acquisitions, mainly in energy. Sales revenues in 1984-1985 were A\$7.1bn, and net profits A\$774m.

Its main activities are in Pacific Rim countries, including the Americas, where last year it bought Energy Resources Group of the U.S. for A\$639m, since renamed BHP Petroleum (Americas).

BHP's latest acquisition will be funded equally by cash in hand and loan facilities. The Mount Newman joint venture produces more than 30m tonnes of iron ore a year, supplying BHP's own steel mills (now highly profitable once more), as well as export customers. TDMC operates the new Riverside coking coal mine in central Queensland.

BHP's minerals division more than doubled its first-quarter net profit for the period to August 31 to A\$1.5m, helped by the depreciation of the Australian dollar against its U.S. counterpart.

Japanese banks face enhanced competition

By Yoko Shibata in Tokyo

JAPANESE BANKS will face a tougher business climate from today now that interest rates on large denomination time deposits of Y10m (¥15m) or more are deregulated.

From today banks will be free to set their own interest rates, and enhanced competition for deposits is expected to push up funding costs.

According to estimates by Fuji Bank, eliminating ceilings on interest rates paid on deposits of over ¥300m would increase funding costs by ¥275.3bn a year for the 13 city (commercial) banks wiping out a quarter of the pre-tax profits scored by the banks in the year to March 1985.

If the abolition of interest rate ceilings were advanced to the final stage (lifting the ceiling of interest rates on deposits of more than ¥30m), funding costs would increase by ¥546.7bn, accounting for nearly 50 per cent of the pre-tax profits made by the 13 banks in 1984-85.

Fuji Bank's estimates are based on the assumption that 100 per cent of the existing time deposits and 50 per cent of ordinary deposits would be switched to new interest-rate controlled time deposits with attractive deposit rates.

Setback for Malaysian car dealers

By Wong Sulong in Kuala Lumpur

TWO LEADING Malaysian car distributors—Tan Chong and Oriental Holdings—have reported sharp falls in earnings for the first half of this year following a slowdown in the car market in Malaysia and Singapore.

Tan Chong, the franchise holder of Nissan cars, said its reported sharp falls in earnings for the first half of this year followed a slowdown in the car market in Malaysia and Singapore.

Although turnover rose by 9 per cent to 586m ringgit, after-tax profits were 16.2m ringgit, down 28 per cent.

Oriental, which distributes Honda cars, saw interim pre-tax profits decline by 32 per cent to 20.3m ringgit with turnover falling by 28 per cent to 198m ringgit. After-tax profits fell by 31 per cent to 11.7m ringgit.

The two companies said results were affected by the economic slowdown and keen price competition. Second-half conditions are expected to remain difficult.

Tan Chong is cutting its interim dividend to one cent a share from 1.5 cents, while Oriental is maintaining its interim payment at 7.5 cents a share.

Holmes à Court sells stake in Asarco

MR ROBERT Holmes à Court, the Perth entrepreneur, has sold his 13.3 per cent stake in Asarco, the troubled U.S. mining concern, to MIM Holdings of Brisbane for A\$140m (US\$99.7m) at an estimated profit of about A\$7m.

"I wanted to be the only one in the world to make a profit out of copper in 1985," said Mr Holmes à Court.

MIM's stake in Asarco now rises from 19.1 per cent to 32.4 per cent. At the same time, Asarco owns 44 per cent of MIM.

Mr Holmes à Court is now thought to have well over A\$1bn in cash and undrawn credit available with which to fund further dramatic progress by his Perth-based Bell Group and its affiliates.

For instance, there are persistent rumours that he has extended his holding in Broken Hill Proprietary (BHP), perhaps to as much as 9.9 per cent, and is contemplating another big share raid on Australia's biggest company, with or without the co-operation of Adelaide Steamship, which also owns a stake in BHP.

The market reacted to MIM's move by marking its shares 13 cents lower at A\$2.42. MIM said it thought Asarco an "excellent counter-cyclical investment," a description that spread gleefully in broking circles.

Mr Holmes à Court said he originally invested in Asarco because he saw it as the purest copper investment anywhere. However, he had noticed that Third World producers such as Chile were making acceptable money (in domestic currencies) despite the metal's badly depressed price.

See Lex

Pechiney wins EdF supply deal

BY PAUL BETTS IN PARIS

PECHINEY, the nationalised French aluminium group, has negotiated a new long-term electricity supply agreement with Electricité de France (EdF), the French electricity utility, involving 30m KWh a year for 10 years for FF2.2bn (\$244m).

The aluminium group, which has been seeking to reduce its electricity costs as one of the cornerstones of its recovery strategy, negotiated a first agreement with EdF in 1983 whereby it acquired 20m KWh a year for 25 years for FF2.2bn in cash.

Under the latest agreement, Pechiney will not be paying cash but will issue to EdF

FF2.2bn worth of non-voting securities known as "Titres Participatifs".

The two agreements will cover more than 50 per cent of the group's basic electricity needs for its aluminium and metal fabrication businesses in France.

The negotiations have been long and complex because of the utility's worry of setting a precedent in granting a large industrial group a long-term supply contract at favourable terms. To overcome these difficulties the deal has been structured so that Pechiney has acquired a direct stake in an EdF nuclear power station.

But Pechiney's stake does not involve a specific nuclear plant

but a hypothetical one to give the aluminium producer complete flexibility in its electricity supplies.

Other large French industrial groups have also bought improved terms for their electricity supplies from EdF. Atchem, the chemicals subsidiary of the state-controlled Elf Aquitaine group, has been negotiating, so far unsuccessfully, for a long-term agreement for its chlorine operations.

Pechiney so far is the only major group to have successfully negotiated a deal with EdF. The aluminium group has now returned to profit with earnings of FF546m last year and earnings of FF451m in the first half of this year.

Pan Electric suffers attributable loss

BY OUR FINANCIAL STAFF

PAN-ELECTRIC INDUSTRIES swung to an attributable loss of \$93.8m (US\$2.5m) in the six months to June, from a \$15.8m profit a year earlier. "Very much reduced salvage income" was responsible for the

poorer results, the company said, but its salvage operations picked up during the third quarter, and full-year results will depend "on this trend continuing".

Pan-Electric also announced a

two-for-five rights issue, priced at \$1.00 per share. The new issue will result in between 68.9m and 69.9m new shares and is fully underwritten by substantial shareholders and merchant banks.

Exchange deficit pushes ZCI deeper in the red

BY KENNETH MARSTON, MINING EDITOR

AN INCREASED exchange loss of \$2.49m (£1.73m) has exceeded the income for the year to June 30 of Zambia Copper Investments, the Bermuda-registered company which holds a 27.3 per cent stake in Zambia Consolidated Copper Mines.

After other debits, including

irrecoverable payments of \$1.19m to Botswana RST and BCL, ZCI comes out with a net loss for the year of \$1.84m against \$1.05m in 1983-84. No dividend is to be paid.

The exchange loss reflects the fall in the value of assets in Zambia and Zimbabwe resulting from the depreciation of the currencies of those countries.

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In accordance with the provisions of the Certificates notice is hereby given that for the six month interest period from 30th September, 1985 to 27th March, 1986 the Certificates will carry an Interest Rate of 8 1/8% per annum. The relevant Interest Payment Date will be 27th March, 1986.

Credit Suisse First Boston Limited
Agent Bank

NOTICE OF REDEMPTION TO HOLDERS OF INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Kuwaiti Dinars 30,000,000

10 per cent. Bonds due 1991

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Bonds of the above-mentioned issue, Kuwait Investment Company (S.A.K.), as Fiscal Agent, has drawn by lot, for redemption on 15th November, 1985, at 100% of the principal amount thereof through operation of the Sinking Fund, Kuwaiti Dinars 3,750,000 principal amount of said 10% Bonds due 15th November, 1991, bearing the following distinctive numbers:

00017-00032	01318-01333	02513-02528
00180-00195	01532-01547	02600-02615
00374-00389	01685-01700	02752-02767
00545-00560	01825-01840	02799-02814
00701-00716	01981-01996	02857-02872
00812-00827	02034-02049	02896-02911
00923-00938	02236-02251	02954-02969
01076-01091	02370-02385	02981-02997

The Bonds specified above will become due and payable in Kuwaiti Dinars at the offices of Kuwait Investment Company (S.A.K.), Mubarak Al-Kabir Street, Kuwait City, State of Kuwait, by cheque drawn on a Kuwaiti Dinar account with, or by a transfer to a Kuwaiti Dinar account maintained by the payee with, a bank in Kuwait. From, and after, 15th November, 1985, interest on the above mentioned Bonds will cease to accrue.

Bonds should be surrendered for payment together with all unmatured coupons appertaining thereto, failing which the face value of the missing unmatured coupons will be deducted from the principal amount.

The aggregate principal amount of Bonds remaining outstanding after 15th November, 1985, will be Kuwaiti Dinars 22,500,000.

KUWAIT INVESTMENT COMPANY (S.A.K.) on behalf of
INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated: 1st October, 1985

NOTICE OF REDEMPTION TO HOLDERS OF CRÉDIT NATIONAL

Kuwaiti Dinars 7,000,000

10 per cent. Guaranteed Bonds due 1991

First Mandatory Redemption Due 15th November, 1985 Of Kuwaiti Dinars 900,000

NOTICE IS HEREBY GIVEN that, pursuant to condition 5 (A) of the above mentioned Bonds, Kuwait Investment Company (S.A.K.), as Fiscal Agent, has drawn by lot, for redemption on 15th November, 1985, at 100% of the principal amount thereof through operation of the Sinking Fund, Kuwaiti Dinars 900,000 principal amount of said 10% Bonds due 15th November, 1991, bearing the following distinctive numbers:

00051-00093	02723-02765	04981-05023
00238-00280	02987-03029	05268-05310
00507-00549	03442-03484	05722-05764
01096-01138	03694-03736	05925-05967
01365-01407	03958-04000	06233-06275
01784-01826	04351-04393	06467-06509
02229-02271	04726-04768	06899-06938

The Bonds specified above will become due and payable in Kuwaiti Dinars at the offices of Kuwait Investment Company (S.A.K.), Mubarak Al-Kabir Street, Kuwait City, State of Kuwait, or, at the option of the bearer, but subject to applicable laws and regulations, at the main offices of Banque de Paris et des Pays-Bas pour le Grand-Duché de Luxembourg in Luxembourg, Citibank, N.A., in London and Morgan Guaranty Trust Company of New York in Brussels by cheque drawn on a Kuwaiti Dinar account with, or by a transfer to a Kuwaiti Dinar account maintained by the payee with, a bank in Kuwait. From, and after, 15th November, 1985, interest on the above mentioned Bonds will cease to accrue.

Bonds should be surrendered for payment together with all unmatured coupons appertaining thereto, failing which the face value of the missing unmatured coupons will be deducted from the principal amount.

The aggregate principal amount of Bonds remaining outstanding after 15th November, 1985, will be Kuwaiti Dinars 6,100,000.

KUWAIT INVESTMENT COMPANY (S.A.K.) on behalf of
CRÉDIT NATIONAL

Dated: 1st October, 1985

DAIWA EUROPE LIMITED

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ISSUER—Warrant expiry date	Current Market Price (%)	Offer Calculations Premium/Gross (%)	Offer Calculations Premium/Net (%)
AIKA KOGYO 12/8/85	30.00	18.55	5.17
CASIO COMPUTERS 5/3/89	37.00	36.50	1.50
C. ITOH 4/5/89	41.50	43.00	4.75
CI TOH 20/1/87	57.00	61.00	7.15
DOWA MINING 20/7/89	10.60	12.00	6.25
FUJIKURA GUMI 5/4/89	61.00	62.50	2.50
HASUNUMA GUMI 1/1/86	12.50	14.00	4.18
J.S.R. 28/4/89	8.00	10.00	2.00
KAWABATA 22/12/88	32.00	34.00	2.00
KAWABATA 15/2/89	19.50	21.00	3.05
KOKUSAI 20/5/89	16.00	17.50	1.50
KUMORI PRINTING 20/12/88	19.50	21.00	2.00
MARUZEN 20/5/82	16.00	17.50	1.50
MARUZEN 12/2/86	10.00	11.50	1.50
MINI 20/2/88	55.00	57.00	2.00
MIT. CORPORATION 20/1/87	36.00	38.00	2.00
MIT. CORPORATION 7/1/88	40.50	42.00	1.50
MIT. GAS & CHEM 20/3/89	37.00	39.00	2.00
MITSUBI E/S 15/10/88	28.00	30.00	2.00
MITSUBI E/S 10/12/87	28.00	30.00	2.00
MITSUBI E/S 10/12/87	28.00	30.00	2.00
MITSUBI PETRO. 12/2/88	12.00	13.50	1.50
MITSUBI PETRO. 12/2/88	12.00	13.50	1.50
NIPPON MINING 17/3/89	94.00	96.00	2.00
NIPPON MINING 17/3/89	94.00	96.00	2.00
NISSAN 1/1/86	12.00	13.50	1.50
NISSAN 1/1/86	12.00	13.50	1.50
NOMURA SEC'S 31/10/88	78.50	80.00	1.50
ONODA 20/5/89	102.00	104.00	2.00
OMRON TATEISHI 31/3/89	7.50	8.00	0.50
OSADA 20/5/89	15.00	16.50	1.50
OSADA 20/5/89	15.00	16.50	1.50
OSADA 20/5/89	15.00	16.50	1.50
RYOBI LTD. 28/5/89	13.50	15.00	1.50
SEINO TRANS. 7/3/89	15.00	16.50	1.50
SEINO TRANS. 7/3/89	15.00	16.50	1.50
SEIKISUI CHEM 20/3/89	30.50	32.00	1.50
SONY CORP. 4/4/89	14.50	16.00	1.50
SUMI. CONST. 20/3/89	36.50	38.00	1.50
SUMI. HEAVY 34/2/89	25.00	26.50	1.50
TAKAYAMA 10/12/88	110.00	112.00	2.00
TOKYO ELECTRIC 14/3/88	7.00	8.50	1.50
TOKYO ELECTRIC 14/3/88	7.00	8.50	1.50
TOKYO CORP. 28/1/89	148.00	150.00	2.00
TORAY IND. 6/3/87	30.00	31.50	1.50
TOYO ENG. 28/2/89	52.00	54.00	2.00
YAMAMOTO GLASS 8/5/89	10.00	11.50	1.50
YAMATO KOGYO 28/1/89	14.00	15.50	1.50

Reuters Monitor DABF/GH/1/1 — Further information from:
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In accordance with the provisions of the Notes, notice is hereby given that for the interest period 30th September, 1985 to 27th March, 1986 the Notes will bear interest at the rate of 8 1/8% per annum. The Coupon Amount per U.S. \$100,000 Note will be U.S. \$4171.86 and the Coupon Amount per U.S. \$10,000 Note will be U.S. \$417.19. The Interest Payment Date will be 27th March, 1986.

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UK COMPANY NEWS

Strong pound holds Inchcape at £36m

Inchcape, international merchant, blames the strength of the pound for pre-tax profits almost static at £36.22m in the six months to June 30 against £35.96m last time.

Sir David Orr, chairman, says a translation at the exchange rates of last December 31 would have added about £4m.

Analysts had been expecting a rise of at least 5m. Earnings per share rose from 16p to 22p as a result of a lower tax charge — £17.32m against £19.76m — and a reduction in the share of profits to minorities — £236,000 against £258m.

The interim dividend is being maintained at 7.15p.

Group turnover grew 3 per cent from £912.34m to £931.08m, with the Far East achieving pre-tax profits of £17.5m against £12.81m on turnover up to £260.91m (£237.21m).

Hong Kong achieved improved results, says Sir David, helped by the demand for motor vehicles and office equipment from China.

However, trading conditions in Singapore and Malaysia deteriorated and profits were down, mainly because of depressed timber industry and further provisions for Inchcape Berhad's heavy equipment and agricultural machinery business in Malaysia.

In India, tea prices fell from their high levels of 1984 and pre-tax profits were down from £3.33m to £3.22m on turnover of £11.03m (£11.9m).

In the UK, pre-tax profits were down marginally to £10.17m (£10.5m) on turnover up from £228.01m to £241.83m.

Group operating profits of £39.28m (£42.6m) with associated companies' profits of £13.62m (£13.4m) and investment income of £70,000 (£165,000). Pre-tax profits were struck after finance charges of £16.76m (£20.21m).

There were extraordinary debits of £4.88m (£7.4m) arising mainly from losses on the sale of shares in subsidiaries and provision for post-disposal costs. Attributable profits amounted to £13.75m compared with £21.02m.

An analysis, business by business, shows general merchandising achieved pre-tax profits of £10.4m (£13.4m) on turnover of £292.92m (£242.51m).

Motor made pre-tax profits of £13.5m (£9.54m) on turnover of £443.92m (£415.11m); insurance £5.74m (£3.16m) on turnover of £31.51m (£23.71m); marine and specialist services £5.94m (£7.12m) on turnover of £53.56m (£37.58m); and other businesses accounted for £4.96m (£3.56m) on turnover of £96.22m (£80.54m).

In a market-by-geographical analysis, South East Asia recorded pre-tax profits down to £1.75m compared with £7.75m on turnover of £212.71m (£218.51m).

Africa made pre-tax profits of £1.43m (£896,000) on turnover of £5.56m (£3.15m); the Americas £1.14m (£457,000) on turnover of £53.54m (£54.38m); Australasia £397,000 (£781,000) on turnover of £50.8m (£46.22m); Europe £3.56m (£3.1m) on turnover of £25.13m (£28.5m); and the Middle East £3.44m (£3.08m) on turnover of £6.82m (£3.46m).

Mr George Turnbull, 58, who joined the company last September as group managing director, is to succeed Sir David as chief executive in January. Sir David will remain chairman.



George Turnbull: promoted to chief executive

J. Neill bids £11.8m for Spear & Jackson

By Charles Batchelor

A TAKEOVER battle broke out yesterday between two of the leading survivors in Britain's battered hand tool market with the launch of an £11.8m takeover bid from James Neill Holdings for Spear & Jackson International.

Spear, best known for its range of garden tools, hit back quickly at the Neill approach with an attack on the bidder's own record.

Spear said Neill had been forced to meet heavy rationalisation costs "in industries which are suffering from import penetration and declining markets."

Mr Peter Ballcock, chief executive of Neill, said a takeover of Spear would create a company with nearly 11,000 employees and a range of hand tools broad enough to meet any competition.

Neill is offering three of its own shares for every two shares of Spear. Neill's shares fell 4p in 140p yesterday to value its offer at 210p per share. Spear's shares leaped 45p to close at 216p, 6p above the offer.

Neill is also offering a cash alternative worth 195p for each Spear share. If all shareholders and holders of options on Spear shares took up the share offer this would lead to the issue of shares equivalent to 33.1 per cent of Neill's enlarged equity.

Both Neill and Spear have recovered strongly over the past year or so from the recession which pushed both of them into the red in the early 1980s.

Mr Ballcock said: "It is such a logical combination. Imports from countries in the Far East and from Portugal and Sweden have flattened out at nearly 50 per cent."

"Now is the time to hit back. A merger would give us the same size and range as Sandvik (the Swedish group and Europe's largest hand tool maker)."

It would bring together Neill's metal-cutting hacksaws and bandsaws with Spear's circular saws. Spear has timber and lumber cutting equipment while Neill is developing plastic cutting equipment.

Mr Leonard Grosbard, managing director of Spear, commented: "They have the problem of importers dumping hand tools in the UK while we are in a specialised market with negligible import penetration. We have a strong brand position and their name is well known at all."

Mr Grosbard charged that the bid was a defensive move by Neill, following the building of a near 12 per cent stake in its shares by Suter, the reorganisation and air conditioning group last year. The Suter holding was placed with institutions in January.

Turnover for the six months was £115,600 (£56,700) and deferred contract profits were £139,700 (£13,900) — in accordance with accounting policy profits earned on the contracting activity have been deferred and will be written back in future accounting periods.

On capital increased by the rights issue, loss per share was 1.35p (1.42p).

The small plant at Carmarthen produced more than satisfactorily throughout the period, the directors state, and although output from the Mitchellstown plant was a month behind schedule, it continued to be lower than expected. It was much improved in comparison with last year.

The installation of the plant at Le Sueur, Minnesota, U.S., is about a month behind schedule, the commissioning exercise is in progress, directors point out, and production trials will commence shortly.

The company, traded on the USM, has launched new meal replacement products in the UK health food market, with early indications promising, while directors say that significant opportunities in the health food market continue to be pursued.

Losses per share were 2.01p against earnings of 5.65p. There is no dividend (3.15p).

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Weather and miners blamed for Rugby's 41% profit slump

THE SEVERE weather at the beginning of the year and the disruptive effects of the miners' strike, and the partially-related plant problems combined to give Rugby Portland Cement a poor start to the year.

Turnover rose by 20 per cent from £88.44m to £107.07m but pre-tax profits slumped by 41 per cent to £3.86m against £11.62m. From earnings per share of 3.5p (8.2p), an unchanged interim dividend of 2.9p has been declared.

Last year there was a total payment of 6.2p net, from pre-tax profits of £27.79m.

Mr Maurice Jenkins, chairman, says the UK cement division suffered a sharp drop in sales volume. Despite the continued recovery of Roman River Plastics, which increased trading profits, the UK figure overall showed a fall from £7.44m to £2.61m, from turnover little changed at £72m (£72.32m).

The fall was offset slightly by an increase in trading profits from overseas, rising from £3.49m to £4.13m, earned on turnover almost doubled at £28.07m (£16.53m). The figure was reduced by the fall in the Australian dollar and if the rate of a year ago had been used it would have been £750,000 higher.

The pre-tax figure was helped by a doubled contribution from related companies, £1.13m against £590,000. But there was also a large increase in the interest charges, net of investment income and interest payable, of £1.01m (£53,000).

A tax charge of £2.45m (£2.93m) and minorities taking £229,000, against £280,000, the attributable profits came out at £4.15m, compared with £7.47m last year.

Mr Jenkins is expecting a better second half with a first contribution for the recently-acquired John (Doncaster) and the improved performance from Roman River Plastics continuing. He adds that sales for

the UK cement division should recover, but not by enough to make good the first half setback.

However, the division should benefit from the June price increase and further moves to cut costs.

The overseas contribution will depend on the year-end exchange rates, but it is expected to be higher.

comment

If the wisdom of Rugby's diversification away from UK cement was ever in doubt these interim results should have settled the matter. Profits from UK cement were about down by 75 per cent in the first half, as Rugby fared even worse than its competitors. Part of the problem was its dependence on the south which is less well equipped than the rest of the country to cope with a harsh winter. The worst is over, however, and following the 8 per cent price increase in June, second half UK cement profits should be much the same as last year. Meanwhile the sideways shifts into cement overseas and timber are showing promising signs, although during the first half, the strength of Australian profits was wiped out by the collapse of the Australian dollar. The weighty acquisition of John Carr will start to make itself felt in the second half, adding about £3.5m to trading profits while expansion at Addison into four new branches will shortly translate into higher profits. The effect of these acquisitions has been to lift gearing from less than 10 per cent a year ago to an estimated 87 per cent by year end, and after a correspondingly heavy interest charge, pre-tax profits may be about £25m for the full year. A p/e of 10 for this difficult year should come down to about 8.7, a bright spot, and meanwhile a yield of 7.1 per cent at 124p should tide over those who want to wait.

Jefferson Smurfit unchanged at £20m

AS FORECAST at the annual meeting in June, Jefferson Smurfit Group, the Dublin-based corrugated cases, paper and board, print and packaging concern, had virtually unchanged taxable profits for the six months ended July 31 1985.

There were "strong improvements" in Ireland, the result of Ireland and the UK, but, again as forecast, the U.S. contribution was down slightly.

Turnover for the period grew by 17 per cent to £1475.75m (£1263.5m), compared with £1406m, while pre-tax profits amounted to £120.32m (£118.8m sterling), against a previous £120.05m.

The directors say the turnover advance was a mix of volume, price and exchange rate. Internal sales of £153m were translated but were not reported in the interim figures.

Trading profits increased from £23.77m to £26.45m and although margins fell from 5.9 per cent to 5.6 per cent, the directors feel it is satisfactory considering the general state of industry and the poor weather encountered.

Earnings per share are given as 9.5p (5.4p), after tax £4.91m (£3.96m), and the interim dividend is, in effect, maintained at 1.1248p—last year's final payment was equivalent to 3.2845p.

A geographical analysis of turnover and profits, before tax and interest, £26.57m (£24.58m)—shows:

Republic of Ireland £78.13m (£82.96m) and £8.21m (£4.24m); UK £44.17m (£33.94m); and £1.0m (£371,000); North America £32.56m (£305.25m) and £19.11m (£20.04m); Australia £8.55m (£2.74m); and £87,000 (£81,000 loss); other territories £211,000 (£11.7m) turnover.

The U.S. economy grew again in the second quarter following a very poor first quarter. The paper industry in general, the directors say, is having a most difficult time, but the results of the Jefferson Smurfit Corporation compare very favourably with the industry performance.

After minority interests of £3.96m (£2.96m), and an extraordinary credit of £2,400 (nil) attributable profits emerged at £11.55m, compared with £11.1m.

comment

Jefferson Smurfit's lacklustre first-half performance illustrates the extent of its vulnerability to dollar exchange rates. On paper, North American trading profits have slipped from £150m to £119.11m, but strip out the currency translation gains and the fall become a 20 per cent slump.

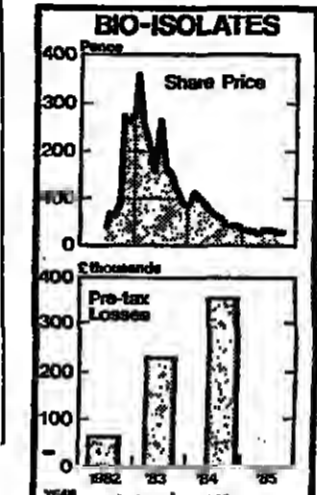
This is largely because the strong dollar has seen packed goods flowing into the U.S. and stopped packed goods flowing out, with consequent overcapacity and price-cutting in the linerboard market. Smurfit's second half is unlikely to see much change. The Irish and UK operations will probably maintain their strength, but with nearly 75 per cent of group sales coming from North America it is the price of linerboard in the U.S. which is the key factor; and although the dollar shows signs of weakening, few expect the effects to feed through into higher linerboard prices this year. The full year is likely to see profits of £138m, putting the share on a prospective p/e ratio of 9 after a 25 per cent tax charge at 80p—a rating likely to stick in the short-term unless there are further acquisitions.

Losses as expected at Bio Isolates

REFLECTING directors' expectations at the time of the rights issue in June, Bio-Isolates (Holdings), which produces protein from whey, suffered losses of £158,200 for the six months ended June 30 1985. This is compared with a deficit of £182,200 for the half year to March 31 1984.

Losses for the 15 months ending December 1984 amounted to £256,000 (£234,000).

The directors say the main thrust of activities is now aimed at expanding markets for its products and increased resources have been allocated to this area. They feel, however, that it



would be unwise, at this stage, to comment on prospects for the remainder of 1985, except to say that a dividend will be recommended unless the company has yet to pay a distribution.

Turnover for the six months was £115,600 (£56,700) and deferred contract profits were £139,700 (£13,900) — in accordance with accounting policy profits earned on the contracting activity have been deferred and will be written back in future accounting periods.

On capital increased by the rights issue, loss per share was 1.35p (1.42p).

The small plant at Carmarthen produced more than satisfactorily throughout the period, the directors state, and although output from the Mitchellstown plant was a month behind schedule, it continued to be lower than expected. It was much improved in comparison with last year.

The installation of the plant at Le Sueur, Minnesota, U.S., is about a month behind schedule, the commissioning exercise is in progress, directors point out, and production trials will commence shortly.

The company, traded on the USM, has launched new meal replacement products in the UK health food market, with early indications promising, while directors say that significant opportunities in the health food market continue to be pursued.

Losses per share were 2.01p against earnings of 5.65p. There is no dividend (3.15p).

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Utd. Friendly lifts interim

DESPITE SOME uninspiring new business figures in the first six months of this year, United Friendly Insurance is lifting its interim payout by nearly 11 per cent from 4.6p to 5.1p—slightly below market expectations.

New premiums over the period in the industrial branch fell by a fifth from £27.5m to £27.1m which reflects both the loss of Life Assurance Premium Relief in the 1984 Budget and the current reorganisation of the company's field force.

The general branch, premium income rose by nearly 4 per cent from £23.5m to £24.81m. However, the company reports claims being high in the early months of the year from the severe winter weather and increased accidents.

The company reports an underwriting loss of £800,000 for half year on its general business, but expects an improvement in the second half of the year.

The share price remained unchanged at 370p on the reasons giving yield of 6.5 per cent gross on an expected full dividend of 16.4p net—up 12 per cent on 1984.

Sandhurst Marketing falls to £0.6m midway

Sandhurst Marketing, supplier of stationary and office equipment and manufacturer of chemical products, recorded pre-tax profits down to £610,000 in the six months to July 31 compared with £1.02m last time on turnover up from £11.38m to £14.04m.

But Mr Brian Hulme, chairman, says comparisons with the first half of last year are not possible because last year it encouraged customers to anticipate their requirements for June and July to ease the problems of the company's move to Horsham, Sussex.

He says he is still extremely confident about the future.

The interim dividend is maintained at 0.35p. Pre-tax profits were struck after interest payable, less investment income of £532,000 (£128,000). Tax took £195,000 (£137,000) and minorities £44,000 (£15,000). There were no extraordinary debits (£23,000) and earnings a share were 1.41p (2.74p), diluted, 1.51p (2.72p).

Spectra Automotive and Engineering Products, a subsidiary, recorded pre-tax profits of £215,000 (£204,000). The interim dividend is 0.35p (0.75p).

Second half downturn leaves A & G at £0.8m

SECOND HALF pre-tax profits at A & G Security Electronics fell from £487,000 to £416,000 and left the security equipment maker down from £457,000 to £281,000 for the year ended July 31 1985.

The dividend is maintained, however, at 1.2p with a same again final distribution of 0.725p.

The directors say the group's financial position remains very strong with net cash balances of over £900,000, at the year end, after funding two acquisitions. The group continues to seek acquisitions in complementary areas to existing operations, and directors are confident of current year growth.

In their interim report—profits were down from £457,000 to £405,000—the directors said heavy promotion expenditure and a sales shortfall had affected profits. They added that the company continued to be in a strong position and looked forward to another successful year.

Turnover for the 12 months expanded by £1m to £3.97m and profits were subject to a tax charge of £333,000, against £354,000. Earnings per share are given at 4.38p (5.26p).

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146	123	Ass. Crd. Ind. Ord.	131	—	6.6	6.0	6.7
151	135	Ass. Crd. Ind. Ord.	137	—	10.0	7.2	8.7
77	42	Airproduct Group	17	—	6.4	10.0	11.7
45	28	Amittage & Rhodes	45	+1	4.3	6.8	5.8
159	108	Sardon Hill	126	—	4.0	2.8	19.7
64	—	—	61	—	3.9	0.4	7.4
201	155	CCI Ordinary	155	—	12.0	7.7	3.8
152	104	CCI Typo Com. Pref.	101	—	15.7	15.1	6.4
130	10	Carborundum Ord.	130	+2	4.3	6.8	10.1
91	83	Carborundum 7.5pc Pf.	91	—	10.7	11.8	—
32	48	Deborah Services	52	—	7.0	13.5	5.4
605	182	Frank Hossell	609	—	12.0	8.1	12.2
487	170	Frank Hossell Pr.Ord.	497	—	11.9	2.4	11.7
21	—	Frederick Packer	21	—	—	—	—
83	33	George Blair	80	—	—	—	3.3
50	20	Ind. Precision Castings	25	—	2.7	10.8	6.8
216	17	Jela Group	188	—	12.0	6.1	12.2
124	107	Jackson Group	107	+1	5.8	6.1	7.2
285	213	James Barrough	232	+1	15.0	5.5	7.3
84	83	James Barrough	84	—	10.0	6.1	12.2
95	71	John Howard & Co.	88	—	6.0	5.8	5.8
85	25	Lingaphone Ord.	180	—	15.0	16.7	6.8
100	90	Lingaphone 10.5pc Pf.	90	—	6.9	1.2	24.6
850	300	Minihouse Holdings NV	670	—	—	—	—
120	31	Robert Jenkins	80	—	17.4	6.8	5.8
80	28	Suttons 'A'	31	—	—	—	10.4
92	81	Taylor & Carlisle	71	—	5.0	7.0	5.5
444	374	Trevor Holdings	320	—	12.0	6.1	12.2
34	17	United Holdings	32	—	2.1	6.8	6.7
113	—	Water Alexander	110	—	5.9	7.7	6.2
247	195	W. Yates	197	—	17.4	6.8	5.8

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UK COMPANY NEWS

Strikes restrict Adwest's growth

Industrial troubles at two subsidiaries have seriously affected the 1984-85 results of the Adwest Group.

A strike at Bowden Controls restricted growth during the opening six months and disruption at Burmans left group pre-tax profits for the full year to June 30 just 4.5 per cent ahead of 1984.

Although the results are described by chairman Mr Frank Waller as disappointing, the final dividend is being lifted from 8.5p to 10.5p, an increase of 23.5p, against a previous 6.7p.

He looks to the future with confidence and tells shareholders that from indications he has so far he thinks the group will have a successful year.

Turnover for 1984-85 rose from £70.53m to £77.25m but at the trading level profits improved by only £140,000 to £5.99m—the group manufactures automotive components, electrical equipment, pumps and other engineering products. It also has property development interests.

Pre-tax profits were struck after deducting interest costs of £432,000 (£387,000) and adding in a £1.25m (£908,000) share of related companies profits.

Tax accounted for £3.75m, little changed from last year's £3.50m, and minorities took £112,000. Attributable earnings emerged £172,000 higher at £4.8m.

Dividends will absorb £2.41m

(£1.08m) to leave a retained balance of £2.39m (£2.55m). Earnings improved from 14.9p to 15.4p per 25p share.

Taxable profits for the first six months rose to £2.95m (£2.66m). The nine-week strike at Bowden was said to have cost between £200,000 and £250,000 in lost profit.

● comment

The market was well aware that 1984-85 was going to be dull for Adwest. Strikes at Bowden and Burmans lost £700,000 of profit, dropping the automotive division's contribution by a quarter to £1.9m and offsetting all the recovery achieved (at long last) in France. But at least strikes apart the division was heading the right way which is more than can be said for engineering

where three subsidiaries in particular helped push profits down by 8 per cent to £1.63m. Lacy-Hulbert was troubled by weak demand and management problems, J. T. Wade also experienced poor demand while Ross-Courtney did little better than break-even after moving factory from Holloway to the West Midlands. So it was left to electricals, up 40 per cent to £1.65m and high profits from property, to keep the pre-tax line inching ahead. But with the engineering division showing a recovery and the absence of strikes, profits could rise by a fifth to £10.5m this year dropping the p/e to just under 9 at 198p, after a 38 per cent tax charge. With £61m in the bank the group is still looking for acquisitions outside the automotive sector.

Amari up 20% midway to £3.7m

ALL DIVISIONS of Amari, the stockholding and metal merchanting and manufacturing group, traded profitably during the first six months of 1985 and combined to lift the taxable surplus by over 20 per cent to £2.67m, against £2.04m.

The interim dividend is trebled to 5p.

The second half of the year has started well, the directors say, and results continue to be satisfactory—total profits for the whole of last year were £8.51m.

The interim dividend is trebled to 5p and directors say that as they would like to strike a reasonable balance between the interim and final payments, the total distribution for the year is unlikely to be less than 6p (2.7p).

Turnover for the first six months was down from £26.05m to £23.32m. Profits were subject to tax of £1.7m (£1.2m), minority interests took £88,000 (£45,000), but attributable profits came through ahead from £1.5m to £4.05m after an extraordinary credit of £1.91m.

Earnings per share are given as 7.4p, compared with an adjusted 8.2p.

● comment

Taking into account that Amari did not have the benefit of the 27m raised in the July 1984 offer for sale in the comparable period, it looks as if the group's underlying growth rate is somewhere around 12 per cent. That is a reasonable achievement given that the underlying market in the UK for aluminium has been weak as a result of over-supply rather than a downturn in demand. The second half should be better but, understandably for a supplier working on a short cycle, Amari argues caution.

Indeed any weakness in metal prices and demand could quickly trim margins. Even so something over 27m pre-tax looks likely for the year, although earlier forecasts of 27m are probably on the very edge of what is achievable. At 133p the prospective p/e is no more than 8.4, and the yield is at least 8.4 per cent. On that basis the shares look slightly under-priced. Before the year is out Amari may have satisfied its taste for a U.S. acquisition in the eastern corridor—something in the distribution and service sector.

T & S Stores

expansion goes on

The rapid growth of the Walsall-based tobacconist and confectionery retailer, T. & S. Stores, continued in the half year to June 29, with 11 openings bringing the total to 70.

Mr K. P. Threlfall, chairman, says new stores are contributing to profits more quickly than anticipated.

On turnover up by 37 per cent to £22.14m (£16.18m), pre-tax profits came out at £704,000 (£550,000), an increase of 28 per cent.

From earnings per 5p share of 5.19p (4p), a first interim dividend of 1.2p has been declared by this USM-quoted company.

Group Lotus at £325,000 and order book over £30m

Group Lotus, sports car and engineering company, made strong progress in the first six months of 1985 despite disappointing sales to the U.S.

At the pre-tax level profits surged from £219,000 to £325,000 from a turnover ahead by £1.11m at £9.68m.

Referring to the U.S. Mr David Wilkins, chairman, says that a strong pound and widely fluctuating exchange rates may bring cheer to some but adds that it does inhibit those who export to the country.

During the opening half year engineering consultancy improved by 45 per cent on the corresponding period of 1984. Over the six months a further 40 engineering staff were taken on, an increase of 38 per cent,

and another 122 are to be recruited in the coming months. The group's order book now exceeds £30m.

Shareholders are told that the new smaller car, the X100, is on schedule and that the extension and alterations to the factory are going according to plan.

Mr Wilkins concludes: "With the engineering order book full, we can continue to invest in the future."

Retained profits for the half year emerged at £288,000 (£219,000) after taking account of extraordinary debits of £33,000. Earnings per share amounted to 1.5p (1.5p). No ordinary dividends have been paid since 1981.

For the 1984 year the group returned pre-tax profits of £476,000 (£275,000).

FH maintains growth pattern and tops £1.7m

FH Group, the footwear and laboratory equipment concern, maintained its growth pattern during the 1984/85 year and lifted both its pre-tax profits and earnings to record levels.

Furthermore, the directors say they will be disappointed if the group's momentum is not maintained and they look to the current year for further progress.

For the 12 months to May 31 1985 turnover pushed ahead from £13.95m to £15.15m and at the pre-tax level profits surged by virtually 52 per cent from a restated £1.6m to £1.7m.

From record earnings of 21.5p (15.7p) shareholders are to receive a 0.5p lift in their divi-

dend total to 6.25p net, the final being 4.25p.

Construction of Fiona's Footwear's new factory, with its additional capacity to meet growing demand, is on schedule and the factory should be in production by the summer of 1986.

Sales of the group's cold and allergy alleviation device, the Rhinotherm, should also be coming through in summer 1985.

Tax for 1984/85 took £544,000 (£452,000). After minorities, and extraordinary debits of £38,000 (£138,000), the available balance came through at £1.15m, compared with £517,000. Denley Instruments, the laboratory equipment company acquired in July 1984, more than doubled its warranted after-tax profits.

Profits surge to £1m at Yellow Advertiser

CONTINUED progress of the publishing activities and a significant improvement in printing operations have boosted taxable profits of the Yellow Advertiser Newspaper Group from £285,670 to £1.12m for the year ended June 30 1985.

The group's printing division suffered a loss for the 12 months as a whole, but an improvement in the last four months, during which the Web Offset printing company returned to profitability, had a significant influence on the results, says Mr Ian Fletcher, the chairman of this independent publisher of free newspapers.

Prospects for the current year are good, he adds, and reasonable progress is anticipated. The chairman says, that, in particular, the group plans to make

progress with the introduction of new technology.

Turnover for the period expanded from £14.44m to £19.05m, of which cost of sales took £11.79m, against £9.07m. Trading profits came through at £1.18m (£482,077) and the pre-tax figure was after exchange losses on the group U.S. dollar loan, of £54,325 (£126,407).

Attributable profits emerged ahead at £907,654, compared with £273,517, after tax, £514,877 (£219,522) and an extraordinary credit, last time of £197,369.

During the year Yellow purchased five paid titles from Haymarket Publishing, including London and Local Advertiser and House Buyer, and also acquired a 25 per cent stake in Comet Newspaper, the south London based publisher of free newspapers.

Investment income lifts British Dredging midway

HELPED BY doubled investment income, taxable profits of British Dredging, shiprepairer and building materials supplier, rose by 18.5 per cent from £807,000 to £719,000 for the first six months of 1985.

Turnover increased to £3.99m, against £3.37m, while operating profits of £904,000 (£802,000) was added investment income, less interest payable, of £215,000, compared with £105,000.

Despite a slow start to the year, in January and February, when poor weather conditions caused a severe fall in demand from the group's sector of the building industry, its ship and concrete products companies succeeded in achieving their

targets for the half year. The group continues to make steady progress and directors are paying an unchanged interim dividend of 1p.

BDC Concrete Products commenced commercial production of its interlocking paving blocks at the new works at Stanfords-Hope, Essex, this month, the directors report. The company, which already makes this, and other concrete products, at Newport and Gatheshead, will now be able to service the market for its products in London, the South East and East Anglia.

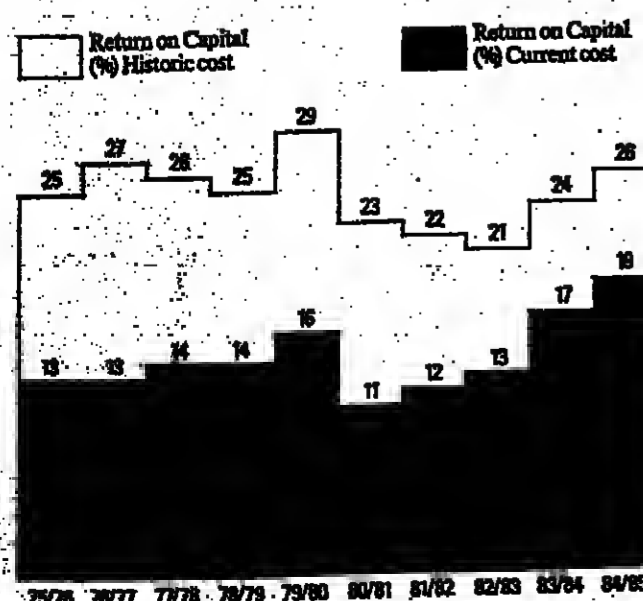
After mid-term tax of £380,000, compared with £280,000, earnings per share are given as 2.5p (1.8p).

Redland

YEAR ENDED		
	March 1985	March 1984
Sales	£1,247m + 5%	£1,184m
Profit before tax	£108.2m + 15%	£93.8m
Earnings per share	28.0p + 14%	24.6p
Dividends per share (gross)	15.00p + 10% ¹	13.57p

I want to emphasize our commitment to realizing a consistently high return on capital employed. In every one of the last ten years, despite considerable variances in the levels of construction activity, Redland has earned returns of over 20 per cent, and averaging 25 per cent.

(Extract from the statement by the Chairman, Mr Colin Corness, at the Annual General Meeting held on 26th September, 1985)



Please use this coupon to obtain a copy of the 1985 Annual Report.

To: The Secretary, Redland PLC, Redland House, Reigate, Surrey, England, RH2 0SJ.

Name _____
Address _____
Postcode _____

Redland

CONSTRUCTION MATERIALS
AND SERVICES IN OVER 30 COUNTRIES



RUGBY CEMENT

Interim Report

The Directors of The Rugby Portland Cement P.L.C. announce that the unaudited Group results for the six months to 30th June 1985 were as follows:—

	6 months to 30th June 1985		6 months to 30th June 1984		Year to 31st Dec 1984	
	£'000	£'000	£'000	£'000	£'000	£'000
Turnover						
United Kingdom	72,001		72,318		148,679	
Overseas	35,070		16,528		51,202	
	107,071		88,846		199,881	
Trading Profit						
United Kingdom	2,612		7,644		15,332	
Overseas	4,127		3,490		9,297	
	6,739		11,134		24,619	
Net interest and investment income	(1,010)		(53)		(521)	
Related companies	1,131		575		3,689	
Profit on ordinary activities before taxation	6,860		11,657		27,787	
Taxation						
United Kingdom	750		2,602		4,708	
Overseas	1,250		1,148		3,659	
Related companies	450		175		1,437	
	2,450		3,925		9,804	
Profit on ordinary activities after taxation	4,410		7,732		17,983	
Minority interests	229		260		585	
Earnings	4,181		7,472		17,398	
Earnings per share	3.5p		6.2p		14.5p	
Exchange Rates used						
AS=£1	1.93		1.56		1.40	
US\$=£1	1.31		1.35		1.16	

The results for the year to 31st December 1984 are an abridged version of the Company's full accounts for that year which received an unqualified auditors' report and have been filed with the Registrar of Companies.

The U.K. Cement Division suffered a sharp drop in sales tonnage. The severe weather conditions this year compared most unfavourably with 1984. In addition the disruptive effects of the coal miners' strike and the partially related plant problems continued. Rom River Placip continued its recovery with a healthy increase in trading profits.

Overseas trading profits are reduced by the fall in the Australian dollar and would have been some £0.75m higher using the June 1984 rate. Cockburn had a good half year with increases in sales of both cement and lime which produced a 16% increase in trading profits. Land sales, which are irregular, were £278,000, some £200,000 lower than last year in part due to exchange rates. Addition, with a trading profit of over £1M, lived up to our expectations in its first complete six month period.

The related companies doubled their contribution with U.S. Cement Inc. showing the best results.

In the second half of the year the Directors expect a recovery in sales in the U.K. Cement Division. This is however, most unlikely to make good the set-back suffered during the first six months, but the full benefit of the June selling price increase will be received. In addition, a further exercise to reduce the cost base is being undertaken.

A first contribution, expected to be satisfactory, will be included from John Carr, and Rom River Placip should continue with its rather better performance.

The Overseas contribution will be dependent upon the year end exchange rates, but a higher second half contribution is expected with Addition benefiting from the four additional branches it acquired earlier in the year. The related companies should show their usual seasonal swing.

The Directors have declared an interim dividend on account of the year ending 31st December 1985 of 2.5p a share—£4,134,797 (1984—2.5p a share—£3,494,124) on the enlarged share capital following the acquisition of John Carr at the end of June 1985.

The dividend will be paid on the 2nd January 1986 to shareholders on the register on 1st November 1985.

Manning Jones
Chairman

THE RUGBY PORTLAND CEMENT P.L.C., CROWN HOUSE, RUGBY CV21 2DT.

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange of the United Kingdom and the Republic of Ireland.

1st October, 1985

P.S.K.

Österreichische Postsparkasse

(A statutory corporation established in Austria under the Postal Savings Bank Act 1969)

U.S.\$75,000,000

10% Notes due 1990

Guaranteed by

The Republic of Austria

(Pursuant to the Postal Savings Bank Act 1969)

Issue price 100¼%

The following have agreed to subscribe or procure subscribers for the above Notes:

Orion Royal Bank Limited

Bank of Tokyo International Limited	Banque Bruxelles Lambert S.A.
Banque Paribas Capital Markets	Berliner Handels- und Frankfurter Bank
Crédit Lyonnais	Daiwa Europe Limited
Deutsche Bank Capital Markets Limited	Dresdner Bank Aktiengesellschaft
Fuji International Finance Limited	Kreditbank International Group
Manufacturers Hanover Limited	Mitsubishi Finance International Limited
National Commercial Bank (Saudi Arabia)	Nomura International Limited
Oesterreichische Postsparkasse P.S.K.	Union Bank of Switzerland (Securities) Limited
Westdeutsche Landesbank Girozentrale	Yasuda Trust Europe Limited

Application has been made to the Council of The Stock Exchange in London for Notes in the denominations of U.S.\$1,000 and U.S.\$5,000, constituting the above issue to be admitted to the Official List, subject only to the issue of the Temporary Global Note. Interest payable annually in arrear on 26th November in each year, beginning on 26th November, 1986.

Listing particulars are available in the Extel Statistical Service and may be obtained during normal business hours up to and including 3rd October, 1985 from the Company Announcements Office of The Stock Exchange and up to and including 15th October, 1985 from:

Orion Royal Bank Limited,
1 London Wall,
London EC2Y 5JX

and
Kitchin & Aitken,
The Stock Exchange,
London EC2N 1HB

WATNEY MANN & TRUMAN HOLDINGS PLC

(Incorporated in England under the Companies Act 1983 with registered number 57987)

Issue of

£349,595 5 per cent. Redeemable Debenture Stock 2000
£243,200 6½ per cent. Redeemable Debenture Stock 1988/93
£696,193 7¼ per cent. Redeemable Debenture Stock 1988/93

In Watney Mann & Truman Holdings PLC

respectively in exchange for equivalent nominal amounts of the following outstanding stock in

Samuel Webster & Sons Limited

4½ per cent. Debenture Stock 2000
6 per cent. Debenture Stock 1988/93
7¼ per cent. Debenture Stock 1988/93

The Council of The Stock Exchange has admitted each of the new Debenture Stocks in Watney Mann & Truman Holdings PLC referred to above to the Official List.

Listing particulars relating to Watney Mann & Truman Holdings PLC, incorporating particulars of the Stocks, have been prepared as required by The Stock Exchange (Listing) Regulations 1984 made under the European Communities Act 1972, and are contained in new issue cards circulated by Eitel Statistical Services Limited. Copies of the Listing particulars and of the audited consolidated accounts of Watney Mann & Truman Holdings PLC for the year ended 30th September, 1984 are available during normal business hours on any day except Saturdays, Sundays and Bank Holidays, up to and including 14th October, 1985 from:

Pannure Gordon & Co.,
9 Moorfields Highwalk,
London EC2Y 9DS.

Cazenove & Co.,
12 Tokenhouse Yard,
London EC2R 7AN.

Watney Mann & Truman Holdings PLC,
The Brewery,
91 Brick Lane,
London E1 6QN.

S. G. Warburg & Co. Ltd.,
33 King William Street,
London EC4R 9AS.

and during normal business hours on 1st and 2nd October, from:

The Company Announcements Office,
The Stock Exchange,
Throgmorton Street,
London EC2P 2BT.

1st October, 1985

£75,000,000

Yorkshire International Finance B.V.
Guaranteed Floating Rate Notes due 1994

Guaranteed on an unsubordinated basis by



Yorkshire Bank PLC

In accordance with the provisions of the Notes, notice is hereby given that for the three month period 27th September, 1985 to 27th December, 1985 the Notes will carry an interest rate of 11¾% per annum with a coupon amount of £146.47 per £25,000 Note.

County Bank Limited
Agent Bank

Financial Times

GLENROTHES SURVEY

OCTOBER 24

1985

For further details,
please contact:

KENNETH SWAN
on 031-226 4139

UK COMPANY NEWS

Terry Garrett on a company born out of the recession and heading for market

Wooring investors with a magnetic approach

MAGNETIC MATERIALS Group, one of Europe's largest manufacturers of magnetic components, will be joining the unlisted securities market within four to eight weeks.

Stockbrokers Phillips & Drew will be launching MMG with an offer for sale of around a fifth of the equity, valuing the group in the area of £20m.

Choosing the USM instead of the main market may seem a little odd at first sight for a group with such a significant position within its market and with part of its business celebrating a centenary and another 80 years of activity.

But despite the grey beard that its history may imply, MMG is very much a child of the recession in the late seventies, having been in its present form for only three years.

The core of the business, at least in terms of the management which brought together MMG, is Neosid. This was founded in 1935 by Edward Michaelis who was later joined by Len Baker.

After the war it became a leading supplier of soft ferrite material for televisions and radios.

By the sixties Neosid was manufacturing permanent magnets to complement soft ferrites, which actually are not magnetic in their own right and need the presence of an electrical charge to work. It had also diversified into precision plastic components. But it was essentially a very private company.

It took the boom in electronics during the seventies to give Neosid the appetite and ability to make a quantum leap forward.

"We were able to strengthen our position in terms of cash and technical ability," says Len Baker. But along came the recession—a mixed blessing for Neosid.

"It hit us hard but it hit everybody else much harder," Neosid already had very little competition in terms of soft ferrites in the UK and now some

of the traditional manufacturers of permanent magnets were facing deep problems. Len Baker could see the chance to become a significant player.

A joint venture with Preformations to manufacture hard ferrite magnets was a tentative first step. Preformations had been spun out of Flessey through a management buy-out backed by the Coal Board Pension Fund. It was essentially a supplier of cast magnets that needed technical assistance from Neosid.

Though it was not until Preformations put up for sale its Swift Levick business that MMG started to take shape in Len Baker's mind.

Swift Levick was one of the two predominant magnet manufacturers in Sheffield—home of the industry. The other one was Darwins International and that was owned by Preformations.

A golden opportunity was at

hand. Financially, Neosid could cope with a double acquisition but Len Baker realised he, alone with the company's founder who was then approaching 80, could not manage such a large group.

So he turned to the Coal Board Pension Fund with more than a proposition to buy its investment in Preformations. He needed management expertise.

With the blessing and backing of the fund, MMG was born to embrace three companies.

Control still rested with the Baker and Michaelis families though 20 per cent was now in the hands of CIN Industrial, the development capital arm of the pension fund, and a further 15 per cent went to Preformations' men.

But the ambitious new group was not without problems. Len Baker grins at the memory.

"We had chaos. We now had two low-making magnet companies and Neosid that was profitable."

Throughout 1982 and 1983 Baker, for the first time in his career, had to make some ruthless decisions.

The large Preformations factory was closed in Swindon with the loss of 100 jobs, about a fifth of the workforce, and permanent magnet operations were concentrated in Windham, Rotherham. One of Swift Levick's factories was also closed.

While awaiting the loss-makers' capital investment on new plant within the first 18 months ran to well over £1m.

Though the charge group managed to stay in the black in its first 17-month financial "year" to June 1983 with nearly £79,000 pre-tax, there were extraordinary losses of over £1.2m below the line and the group was borrowing from the bank with a net overdraft of more than £260,000.

Yet by that summer the surgery was largely complete and the market was coming up, off the recession.

In the year to June 1984 pre-tax profits jumped to £1.73m on sales of £23.28m and last year there was a 23 per cent improvement to £2.22m from £1.77m of turnover, more than £800,000 was in the bank.

There are now 10 manufacturing plants, including Australia and Canada, employing around 850 people. The basic product can be broken down into five broad categories: four types of permanent magnets—cast, sintered, hard ferrite and rare earth—and soft ferrites.

The plastics business manufactures a range of products such as pumps, drills and cleaners to use with low voltage power supplies as well as some fiddly precision components.

The customers stretch far and wide with over 2,000 in all. MMG supplies such as telecommunications, automotive, electronics, computers, defence, marine, entertainment and, of course, its products still go into

Len Baker describes his UK market share as "dominant" in the supply of permanent magnets and a "strong force" in soft ferrites although the UK now



Mr Len Baker, Magnetic Materials' chairman, in the early '80s

only accounts for 45 per cent of group sales.

Through its own marketing companies in the U.S. and France and a host of agencies elsewhere, 35 per cent of sales are made in Europe with North America amounting to 11 per cent.

International competition comes from the likes of Siemens in Germany, Thomson in France and TDK in Japan but the important U.S. market lacks an indigenous manufacturer with any real clout.

However, as the markets for MMG's products are largely growing and the cost of entry is high in terms of technical ability and capital investment, Len Baker is fairly relaxed about competition.

But staying in the forefront of technology is uppermost in his mind. The basic reason for coming to the market is to fund an extensive capital investment programme amounting to over £2m.

More than £800,000 of that is earmarked for Rare Earth magnets, small but highly powerful products. Some are

commercially produced at present from samarium and cobalt and the industry is experimenting with an iron and neodymium based magnet which could be even stronger and cheaper.

These are the magnets of the future. The Japanese currently have the edge but Len Baker has no intention of being left behind.

In addition to raising around £2m for expansion, existing shareholders will be selling about a tenth of their shareholding.

Ultimately, quoted paper will be used as currency for acquisitions, extending the group both vertically and horizontally at home and overseas.

But first things first—the share quote. And there is still a nagging question. In the absence of anything similar on the market how will investors, whose concept of a magnet is a red pointed little horse-drawn carriage, comprehend a supplier to such a broad spectrum of industries?

There is an obvious bias towards electronics but that is not exactly the market's favourite sector at present.

Lamont progress continues

AS... FORECAST. Lamont Holdings, textile manufacturing, property and engineering group, continued the growth achieved last year and has lifted pre-tax profits for the first six months of 1985 by 47 per cent to £1.88m.

This is compared with £1.28m last time and £1.46m for the whole of 1984.

Turnover, boosted by 29 per cent to £24.73m (£19.18m); in the textile division carpets had an outstanding performance, directors state.

In April Sir Desmond Lochner, chairman, said the company had made an excellent start to the

current year, and that there was no reason that would indicate the situation was likely to change. The directors felt the year would be one of growth and success.

The chairman now says that the volatility of exchange rates makes for difficult trading conditions, and that the group would welcome a more stable situation.

"Which would allow us to continue to develop our commercial activities without the influence of unpredictable exchange rates," he adds.

He adds, however, that the group continues to view with confidence the future, and its

ability to overcome and adapt to ever-changing conditions.

After a tax charge up from £104,000 to £373,000, earnings per share were given as 7.65p, against 6.28p, a 22 per cent advance.

Continuing the policy of increasing dividends with growth in profits, and in order to reduce disparity, the interim payment is lifted to 1.2p (0.7p) —last year's final was 2.4p.

After minorities credits of £3,000 (£28,000 debits) attributable to the operating loss of £1.15m, of which dividends will take £288,000 (£130,000),

Jacks surges to £0.38m

William Jacks, motor car distributor and retailer and overseas trader, after pre-tax profits of 185.6 per cent to £276,000 in the six months to July 31 against £140,000 last time.

Turnover grew by 31 per cent to £15.09m compared with £11.49m.

The interim dividend is maintained at 0.5p. But Mr Chai Fook Loong, chairman, says UK prospects are encouraging providing the company is able to obtain enough new cars and, subject to unforeseen circumstances, the board expects to pay a bigger final that last year's 0.5p.

In the first half, he says, sales of new vehicles in the UK maintained momentum, although used-vehicle sales were below expectations. Initial results from

F. W. Mays, acquired in April, were encouraging.

In Zambia, where pre-tax profits were £201,000 (£31,000) turnover of £702,000 (£426,000), difficulties in obtaining foreign exchange persisted.

But paint production was largely sustained. Regrettably, says Mr Chai, the shortage of hard currency has not permitted the remittance of any dividend at July 31 dividends awaiting remittance amounted to £212,000.

The future of the Zambian subsidiary is difficult to predict, he says, because of the foreign exchange problem and the board is reviewing its accounting policy for the Zambian results.

The company is ultimately held by John Holdings Ltd (Malaysia).

Bronx slips back into loss at halfway

Bronx Engineering Holdings slipped back into a pre-tax loss of £62,300 in the six months to May 31 1985, in spite of holding turnover at the same level as the second half of 1984-84, £4.73m compared with £4.76m, when it earned £72,000.

It was, however, a great improvement on the corresponding period when losses of £716,600 were incurred on turnover of £2.39m.

Mr Roberts, chairman of the West Midlands-based metal forming equipment maker, blames increased pressure on margins for the operating loss of £25,300, with an extra £34,000 for redundancies.

The loss per share came out at 0.6p (0.7p). The interim dividend is 0.25p. Last year there was a single final payment of 0.5p.

Mr Roberts says that the benefits of reorganisation are beginning to show with improved efficiency in all activities.

Turnover in the second half is expected to be similar to the first, with a modest profit being earned.

I am pleased to report that the present order book ensures full-time working for the next six months. There are also many good inquiries in the pipeline which we are hopeful of converting into orders in the next few months."

Early's of Witney ahead

Early's of Witney has moved back into the black at the interim stage and with the second half traditionally the stronger in terms of both sales and earnings, the company is expected to achieve an improved result for the year.

For the 1984-85 year as a whole the group, a blanket and floor coverings manufacturer, raised its pre-tax profits from £38,000 to £151,000 and paid a final dividend of 1p.

The group swung from losses of £45,000 to profits of £114,000. Earnings emerged at 1.57p (losses 0.53p) per 10p share.

The interim dividend is held at 0.315p net.

For the 1984-85 year as a whole the group, a blanket and floor coverings manufacturer, raised its pre-tax profits from £38,000 to £151,000 and paid a final dividend of 1p.

KIRSH TRADING GROUP LIMITED

("KTG")
(Registration No. 05/07721/08)

FINANCIAL RESULTS — YEAR TO 30 JUNE 1985

	1985 £m	1984 £m
Sales	2,738.5	2,644.2
Operating profit before interest paid	49.2	75.1
Less: Interest paid	69.6	41.8
Financing of instalment debtors	36.8	26.0
Other	36.8	15.8
(Loss)/profit before taxation	(20.4)	31.3
Taxation	1.5	3.1
(Loss)/profit after taxation	(21.9)	28.2
Attributable after-tax profit of associated companies	1.0	4.8
Minority shareholders' interest	(0.1)	—
Less: Pre-acquisition profits	(20.8)	33.0
(Loss)/profit for shareholders	(20.8)	17.1
Non-convertible preference dividends	1.0	1.1
Net (loss)/profit attributable to ordinary and compulsorily convertible preference shareholders	(21.8)	16.0
Compulsorily convertible preference dividends	9.2	6.6
Ordinary dividends	2.3	9.2
Extraordinary (losses)/profits	(13.3)	46.4
(Loss)/earnings per ordinary share (weighted average excluding extraordinary items)	(32.6)	37.6
Fully diluted (cents)	(66.7)	36.4
Undiluted (cents)	—	—
Dividends per ordinary share	—	—
Interim (cents)	5.0	10.0
Final (cents)	—	10.0
The number of ordinary and compulsorily convertible preference shares in issue was as follows:		
Ordinary	46,501,280	46,379,648
Variable rate compulsorily convertible cumulative preference	13,121,763	13,121,763
7% compulsorily convertible cumulative preference	7,342,376	7,358,178
	66,965,339	66,859,589

NOTES

1 Comparative results and sales for the 12 months ended 30 June 1984 include 12 months trading for Checkers and 14 months for all other operations. The pre-acquisition profits were deducted for those operations acquired on 9 January 1984. These comparative figures have been restated to conform to the 1985 presentation.

Comment

Results for the second half-year were adversely affected by the deepening economic recession, high interest rates and the continuing civil unrest and boycotts. The re-capitalisation of the group by way of rights issue and placement totalling R175,000,000 will transform the group's liquidity position. The continuing political disturbances and recession makes it difficult to predict profits with any accuracy.

Johannesburg
28 September 1985

For and on behalf of the board
N Kirsh
M E King

Cowells PLC

Incorporated in England under the Companies Act 1948-1981
Registered No. 1684855

Placing by
Albert E. Sharp & Co.

of 2,214,940 Ordinary Shares of 25p each at 88p per share

Authorised £2,000,000
Issued and fully paid £1,837,500

The Group operates in a number of specialised sectors of the printing industry, principally in security and financial printing, colour printing and bingo tickets. Its product range includes credit cards, passports, pressbooks, cheques and examination papers, bingo tickets for use in commercial halls and clubs, books and public company annual reports.

A proportion of the shares being placed has been offered to the market and may be available to the public through the market.

Particulars relating to Cowells PLC are available in the Eitel Statistical Service and copies may be obtained during usual business hours up to and including 15th October, 1985 from:

Edmund House,
12, Newhall Street,
Birmingham, B3 3ER

Albert E. Sharp & Co.

6/7, Queen Street,
London EC4N 1SP

UK COMPANY NEWS

Fleet explains valuation of Reuters holding

BY CHARLES BATCHELOR

Fleet Holdings, which is fighting off a £277m takeover bid from United Newspapers, has published an explanation of how it arrived at its £121m valuation of its shareholding in Reuters, the business information group, following a complaint from United to the Takeover Panel.

The Reuters shares represent a stable part of the net asset value of Fleet—and of many other newspaper groups—but Reuters' complex share structure makes for difficulties in valuing the shares. The Reuters "B" shares are listed on the Stock Exchange.

The "A" shares, convertible in "B" shares from May 1987, subject to certain conditions, are not.

Fleet said in a circular to shareholders it valued its 25.7m "B" shares at the market rate. The "A" shares give voting

control of Reuters as well as commanding the same income and capital rights and would command a premium in the absence of the restricted marketability, Fleet said. Fleet has, however, valued its 8.75m "A" shares at the same price as its "B" shares.

Fleet also owns 2.2m Reuters "A" shares indirectly through the Press Association. These shares have been valued at "an appropriate discount," Fleet said. These valuations are the same as those adopted in Fleet's accounts and are viewed by its auditors, Touche Ross, as fair and reasonable, Fleet said.

Morgan Grenfell, adviser to United, said the Fleet statement had followed discussions at the Takeover Panel, though the Panel had not actually requested that a statement be made.

The United camp took exception to the valuation Fleet put on its Reuters holding in the Fleet defence document of September 13. United felt a discount should be applied to the Reuters "A" shares directly owned by Fleet because of their restricted marketability.

United feels a discount larger than the 20 per cent figure which appears to have been used by Fleet should be applied to the "A" shares held through the Press Association.

In a separate development it emerged that Mr Robert Maxwell's privately owned publishing group Fergann Press owns 125,000 Fleet shares. These shares are believed to have been bought recently.

Mr Maxwell built up a 15.75 per cent stake in Fleet last year, but sold his entire holding to United in January.

Ashley listing within two months

By Christopher Parkes

LAURA ASHLEY, the international textiles, clothing and retail group, is now expected to seek a listing on the London Stock Exchange sometime in the next two months.

"We do not want to get too close to Christmas," Mr Peter Phillips, finance director, said yesterday. The group is also understood to want to avoid the flotation being overshadowed by the Government's disposal of its remaining stake in Cable and Wireless, expected some time in December.

The flotation of the Trustee Savings Bank is also due early in January.

Announcing its plans in July, the company said it aimed to come to market "by early next year, in a move which is expected to value it at about £200m."

A little over 25 per cent of the equity will be on offer, Mr Phillips confirmed. The group will also raise new money in the flotation to help fund expansion of the manufacturing base, concentrated mainly in the UK and Netherlands.

Mr Bernard Ashley, group chairman, whose wife Laura died recently after a fall, said yesterday that the flotation would proceed in accordance with her wishes.

Gibbon Lyons joining USM

By Lucy Kellaway

Gibbon Lyons Group, a family run printing ink manufacturer is shortly to join the USM with a market value of about £2m.

The company was started in 1922 when Mr Arthur Gibbon bought a printers ink maker in the Farrington Road in the City. Mr Bill Lyons joined the company five years later, and now, aged 73, is president and consultant marketing director. The current chairman, Mr Michael Gibbon, is the founder's grandson, who joined the board in 1968 after the death of his father, Mr Charles Gibbon.

Only 10 per cent of the company is to be sold at the flotation. This year's profits are £1.1m, Green and Co, the net proceeds will go to existing shareholders.

Gibbon Lyons' inks are used in packaging, publishing and in making forms and greeting cards. The company has over 1,000 regular clients ranging from small print shops to large publishers. BPC, the largest client accounts for around 15 per cent of group turnover.

During the last five years, turnover has grown steadily from £2.4m in 1981 to nearly £3m in the year to March 1985. Hit by recession and tough competition the company made losses in 1981 and 1982, but returned to profitability in 1983 and last year made pre-tax profits of £323,000.

The directors will be forecasting pre-tax profits for the year to March 1986 of about £365,000, on which basis the shares are likely to be on a p/e ratio of around 13.

Cowells has £6.5m value

By Lucy Kellaway

Cowells, a specialist printer, is coming to the USM via a placing of 2.2m shares at 38p and with a market value of £6.5m. About one-third of the equity is being placed, and of this less than 15 per cent is being sold by the company to raise £115,000, after expenses, the bulk being on behalf of existing shareholders.

The company, which is based in Ipswich, traces its origins back to 1818. A privately owned company until 1969, it was then bought by Gramplan Holdings which owned it until it was bought out by management in 1982.

In 1980 the group made pre-tax profits of £418,000 on a turnover of £8.7m. During the following two years profits and turnover fell, culminating in a £15,000 loss in 1982.

For the current year, the directors are forecasting a 39 per cent increase in profits to £760,000. This year's profits are £570,000, while sales have risen from £1m to £5.4m. In the year to November 1985 the company is forecasting profits before tax of £950,000, which after a 35 per cent tax rate imply a p/e ratio of 13. The yield is 4 per cent.

Dealings begin on October 7.

GKN builds up activities in Spain

By Charles Batchelor

Geest, Keen and Nettlefield (GKN), the UK engineering group, will substantially increase its stake in the Spanish vehicle components market with two deals worth an estimated £15m.

GKN is to take control of Ayra Dura, a manufacturer of constant velocity joints and propeller shafts, by increasing its stake from 35 per cent to 65 per cent. Ayra had 1984 turnover of £23m.

GKN will also buy Indugasa, a maker of constant velocity joints, from the Spanish vehicle group SEAT and Citroën Hispania, the local subsidiary of the French car group. This purchase will be made through a company owned 66 per cent by GKN and 34 per cent by Spanish shareholders of Ayra.

Indugasa has annual turnover of about £40m.

GKN declined to put a value on the two deals but, stockbroking analysts estimated the Ayra share purchase was probably worth about £5m while the Indugasa purchase was worth at least £10m.

Both transactions are subject to government approval. GKN expects they will be completed within six months so the purchase price will be reflected in its 1986 accounts.

GKN said it was important to expand its position in the fast-growing Spanish vehicle market. Spain made about 1.2m cars last year compared with less than 900,000 in the UK.

Middle East associates behind Pritchard setback

AGAINST a backdrop of the costs of establishing new business areas and shortfalls from expectations in U.S. home health-care and catering and vending, the Pritchard Services Group saw its interim pre-tax profits fall by £1.18m.

However, the shortfall reflected lower returns from Middle East associates, interest charges and unfavourable exchange rates.

The core subsidiaries generally achieved satisfactory profit performance and the outlook here continues to be good.

Improved positions are anticipated in catering and vending businesses in the U.S. and current expenditure on the development of new enterprises should reduce towards year-end.

For the six months to June 30 group turnover rose from £192.14m to £220.52m. Pre-tax profits, down from £7.28m to £6.11m, were struck after taking account of interest charges of £2.44m (£2.38m) and a lower contribution from the associates of £346,000 (£1.58m).

Tax took £1.53m (£2.19m) to leave earnings at 3.82p (4.20p). The net interim dividend is being held at 0.5p.

In the U.S. turnover improved but tighter margins resulted in lower operating profits. Catering and vending were adversely affected by unseasonable dry spring weather and by a major loss-making contract which has now been closed.

Australia performed close to

expectations but associates' profits from the Middle East, particularly Saudi Arabia, were substantially down due to governmental economies and increased competition.

In the UK and Ireland the core subsidiaries showed good all-round performance. In Europe, recovery was made in France and Germany.

comment

Last year saw Pritchard driving up its borrowings and churning out paper to finance a score of acquisitions as part of a vigorous expansion in what was seen as glamorous and potentially lucrative markets.

This year was supposed to be one of consolidation and watching the profits roll in. Patently something has gone wrong: yesterday's figures made dismal reading and it was only the fact that the market was well braced for them that the shares held steady at 69p. Pritchard's fundamental problem appears to be that it is operating in intensely competitive conditions where its attempts to win and sustain market share are gulping down cash without delivering returns. Notwithstanding the company's usual optimism, it will be lucky to see profits of £14m this year, a figure which has the shares on a prospective p/e ratio of 8. At that level the only attractive features are the prospective yield of 7.9 per cent on an unchanged final dividend and the possibility, however remote, of a bid.

Harris store deal with Stylo

BY MARTIN DICSON

Harris Queensway, the stores group, headed by Sir Philip Harris, has bought the Pennywise discount store chain for £5.5m from Stylo, shoe retailer, 18 months after falling in a £22m takeover bid for the entire Stylo group.

Pennywise operates 22 stores in the North and Scotland, selling clothing, household wares, food and fancy goods. It had turnover of £10.2m in the year to February 2 and profits of £571,000.

Harris, which is paying £4m for its share capital and taking on £1.5m of inter-company debt,

has a 75 per cent-owned discount store chain, started four years ago. It now has 80 outlets.

Harris is paying for the deal partly in cash and partly by a tender placing of 1.2m shares.

Sir Philip said he was sure Harris Queensway could improve Pennywise's margins to match the 10 per cent net achieved by Poundstretcher.

Mr Arnold Ziff, chairman of Stylo, said Pennywise did not fit into the group's mainstream businesses and Harris Queensway had made us an offer we could not refuse.

The proceeds will be used to develop the Barratt Shoes chain and Stylo Matchmakers International, a manufacturer of sports wear. Stylo is also considering disposing of some of its investment property. This could bring its proceeds from disposals to about £15m.

Harris Queensway's bid last year was thwarted by Stylo's unusual shareholding structure, which gives the Ziff family a firm hold over its fate. Harris got acceptance covering 50 per cent of ordinary shares, but these carried only 32 per cent of voting rights.

During the past five years, profits have grown from £164,000 to £558,000 while sales have risen from £1m to £5.4m. In the year to November 1985 the company is forecasting profits before tax of £950,000, which after a 35 per cent tax rate imply a p/e ratio of 13. The yield is 4 per cent.

Dealings begin on October 7.

Westland restructuring talks

Westland, the troubled UK helicopter manufacturer, is holding delicate negotiations with the Government and a number of international aviation groups—among them Airbus of the U.S.—about a major financial restructuring of the company.

The negotiations still have a considerable way to go, though Westland hopes to have a decision in place to announce around the time of its annual results, in early December.

Westland has faced difficulties in finding work to keep its factories going until the EH-101 multirole helicopter gets into full production in several years time.

Following the sudden withdrawal of an £85m bid for the company from Bristol Rotcraft in June, Westland said its future would best be served by

"an association with a substantial international business."

Any package is likely to involve a foreign partner, or partners, taking a substantial minority stake in Westland, but a full bid for the company seems out of the question, given its national strategic importance.

Sikorsky—the biggest helicopter manufacturer in the world—has long been keen to get a British base and is believed to be interested in a deal with Westland.

However, the UK group is speaking to a number of other companies, including Agusta, its Italian partner in manufacture of the EH-101. Westland apparently does not rule out some European participation in any package, or even an entirely European deal.

However, any potential

partners are likely to seek firm commitments from the British Government to an ordering programme for Westland helicopters before signing any deal.

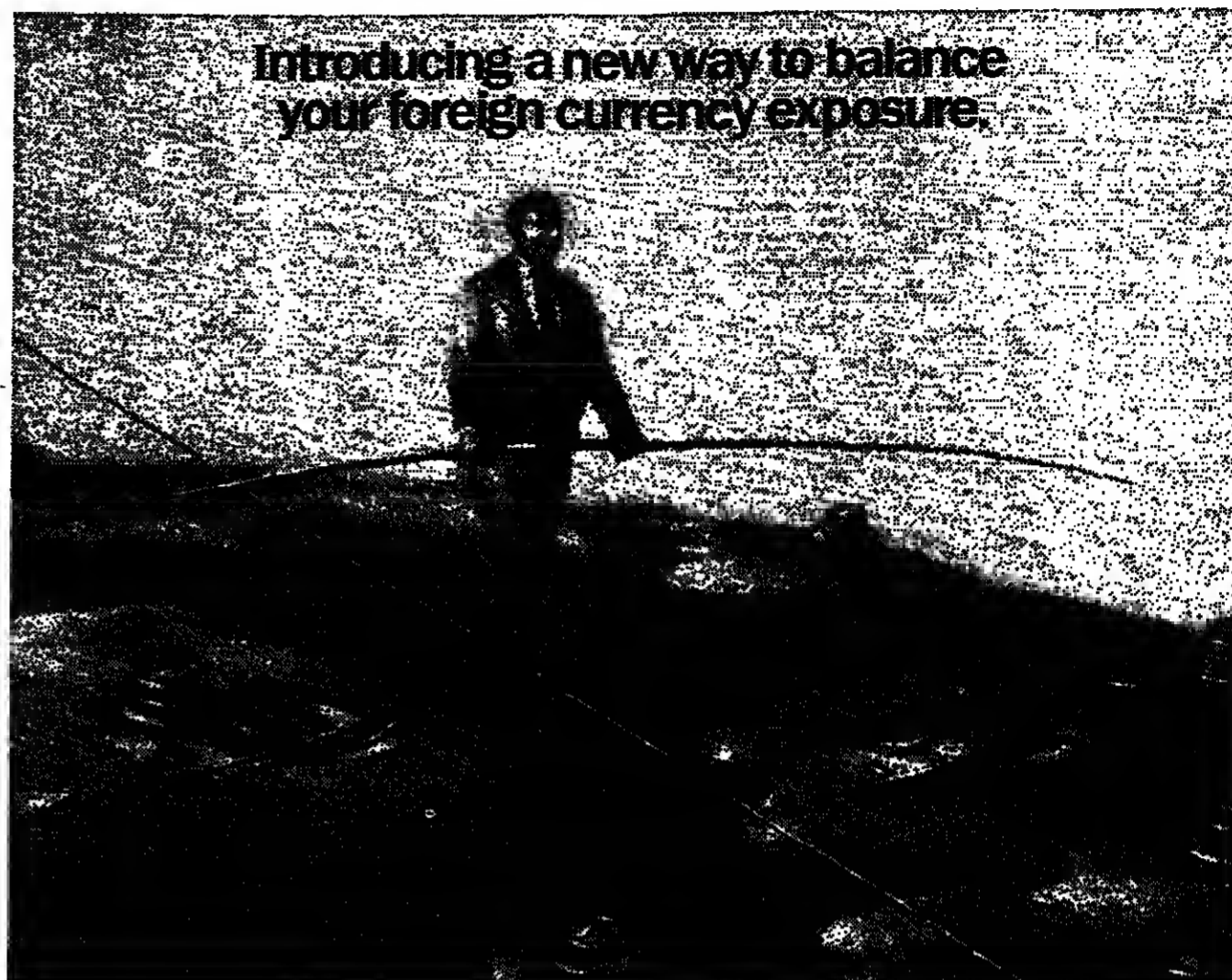
Radius placing

Radius, a Hull-based computer systems and maintenance group, is coming to the USM. Samuel Montagu is placing 3.2m shares at 95p to value the company at £2.5m.

During the past five years, profits have grown from £164,000 to £558,000 while sales have risen from £1m to £5.4m. In the year to November 1985 the company is forecasting profits before tax of £950,000, which after a 35 per cent tax rate imply a p/e ratio of 13. The yield is 4 per cent.

Dealings begin on October 7.

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	Half Year 1985 £'000s	Half Year 1984 £'000s	Year 1984 £'000s
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Profit before Taxation	835	810	2,241
Taxation	(209)	(205)	(163)
Profit after Taxation	626	605	2,078
Earnings per Share	6.4p	8.0p	23.4p
Dividend per share	0.5p	—	1.8p

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THE MANAGEMENT PAGE : Small Business

EDITED BY CHRISTOPHER LORENZ

A SMALL group of British venture capitalists is chortling to itself over what it considers a coup. For a mere £300,000 it has snatched up what it believes is the only gem left in an American venture capital flop.

In May, the investors formed Orange Medical Instruments Ltd by buying from that company's parent, Orange Medical Instruments Inc, some promising product licences for devices which measure oxygen in the blood. The UK company also took some way research people.

"The American venture capital community threw about \$20m at Orange Medical," claims John Nash, a director of Advent, the lead investor in the new deal. "Over here, we bought out the only bit of that group that was breaking even."

James Burt, president of the U.S. Orange, refuses to comment on the amount of losses or the company's current capitalisation. However, an investor concedes that the investment has been among the unhappiest in his firm's \$20m portfolio. The Henry Venture Fund joined the financing 18 months ago, says Joseph Feldman, a board member and also managing director of Lazard Brothers. But, he adds, "The losses have been stemmed. It will pull round."

The U.S. Orange retains its business in the diagnostics and treatment of diabetes—a promising market—but it has had difficulty raising additional venture funding.

That difficulty, and the way that the available funds were put to use was what finally spurred the UK half of Orange to revolt. "The cash problem was affecting everything we did," says Roy Johnson, the sand-haired 33-year-old new president of Orange. "We literally couldn't spend any money."

He is especially critical of a marketing operation in the U.S. which fell well short of expectations.

At the same time, Dr Arthur Hale, a medical scientist and biotechnology investor who was a director of Orange, became involved. Before the unit was bought by Orange Medical in the U.S., Hale had originally formed the nucleus of the UK arm as a unit of G. D. Searle, the U.S. pharmaceutical group now being acquired by Monsanto. Hale was disturbed by the American parent's treatment of his former charge. "I rang them up and said not enough money was going into the oxygen monitoring business," he says. "The UK branch had originated the technology and had developed a proprietary process for its manufacture. They knew that," Hale continues. And in a discussion over what could be done, Hale says he upped and asked them if they would sell it to me.



Roy Johnson: security and a fatter cheque book

Prescribing a UK solution

Jane Rippeteau examines the background to a medical instruments buy-out

Having received a somewhat surprising "Yes," Hale hurried to round up Johnson, and the financial member of the original team, Peter Albrighton, and headed for the office of Nash at Advent. In the end, the three Orange men and three venture capital firms bought out Orange UK, with the old U.S. parent retaining a minority interest. Despite putting personal capital at risk, says Johnson, "there was a feeling of security at last."

Johnson's second marriage brought more than hot security and a fatter cheque book. It brought a new level of management input on the part of the venture investors. Recalls Johnson, "I wanted to capture everything" from the former parent. Instead, his new advisers convinced him to trim back his ambitions.

Johnson, for instance, was very keen to break free of Orange U.S.'s sales and marketing operation, which he feels drained cash and was ineffective. But Nash managed to manoeuvre him away from that and leave distribution in the hands of the U.S. company, at least temporarily. "Nash identified that as a significant risk," admits Johnson. "On Day One, we didn't want to take on an American sales organisation."

Orange UK has since re-

cruited an outsider, Brian White, to fill a new position as director of sales and marketing and it has set up the Orange Medical Instruments Sales Corporation in the U.S. gradually to take over marketing and distribution there.

Other potential trouble spots are less easily resolved, both sides admit. At the moment, Orange UK's research team is split by about 9,000 miles. The two main brains behind two of its newest products—a small plastic device that fits under the eyelid and instantly measures oxygen in the blood, and a unit involving fibre optics for the measuring of oxygen and other blood gases during open heart surgery—are in California. Other product designers, and the engineers developing the all-important manufacturing systems for the products, are at Orange's plant in High Wycombe.

Nash maintains that the California team is well enough experienced to work independently, and in any case must be near customers in the company's largest market, America. Johnson hopes to solve the distance problem with cash for air fares.

That co-ordination will be central to Orange's product development effort. The company at the moment is dependent for

about 80 per cent of its sales on one product, its 12-year-old Neopath 1000. This is a catheter which can monitor oxygen in the blood.

With turnover now running at about \$1.7m annually, Orange investors are projecting sales of \$3.3m in 1986 and \$5m in 1987. But its managers are more optimistic. Projected market share estimates for current and coming products are conservative, Johnson insists. The eyelid device, called the Oraoag 1 eyelid electrode, is "one that may take off considerably bigger," he says. "It has already exceeded the plan."

The unit is something like a contact lens with a hole in the middle. It fits under the eyelid, the only place on the body where such direct but non-invasive contact with the blood can be made, and senses the amount of oxygen present.

"Ultimately, it's going to win out," says Dr William Shoemaker, professor of surgery at the Harbor UCLA Medical Center in Torrance, California, who has used the device in both clinical and experimental conditions.

Its potential market is huge, he adds, and includes the 28m operations performed each year in the U.S. Its chief hurdle "is to overcome the ultra-conservative attitudes of physicians," he says.

One of Johnson's chief complaints about his U.S. parent is that it tried to sell the device with a newly-hired force of some 17 untrained sales people, rather than through special distributors. The structure has since been changed to a hybrid of company salesmen and regional distributors.

Johnson admits the product's troubles are not just those of attitude. At recent visits to eight U.S. customers he heard complaints about the difficulty of assembling the device for use. The \$65 item comes as a kit, the assembly of which is a delicate task. A redesign should be completed in three months, adds Johnson.

He is banking on his company's new momentum to overcome such troubles. The cash infusion has already speeded even small development projects. During the crunch, for instance, Johnson was unable to sign a \$32,000 contract for converting a prototype electronic monitor into a commercial version, which would be much smaller. The delay was holding up progress on a new blood gases monitor for use during heart bypass operations.

"Once we had the cash, we could switch on lots of projects like that," he says. "Now we have the ability to move at a very fast rate."

Venture capital

3i seeks support for 'spinouts'

William Dawkins on the spawning of in-house ideas

HOW DO you encourage a seeped executive to leave the security of a large corporation to work for himself?

Still more difficult, how can he do it with the blessing and the financial backing of his employer? These questions were thrown into the limelight last month when 3i Ventures, a division of 3i, the largest provider of venture capital in Britain, unveiled a campaign to persuade more large corporations to form partnerships with managers keen to go it alone.

Geoff Taylor, 3i Ventures' chief executive, is soon to invite 100 3i clients to the group's London headquarters to a series of discussions at which he will put to them a concept he calls the "sponsored spinout."

"This is a way of creating an entrepreneurial environment of a kind which cannot be achieved by the parent company simply setting up a new division down the road," says Taylor. It would allow managers to get the stimulation of running their own businesses without going it entirely alone. The holding by the parent companies of minority stakes in the new ventures would have the advantage of

enabling them to keep the costs of risky new developments off their balance sheets until they wished to exercise a buyback option and take control once the ventures had proved themselves.

The form in which the idea is presented may be new, but the concept is not—even if deals of the kind envisaged by Taylor are extremely rare in the UK. A number of U.S. companies like IBM, AT&T and General Motors have produced spinouts to make use of projects which have developed within their organisations, but which have proved to be outside their mainstream activities.

Gordon Dean, chief executive officer of Transatlantic Capital, a London-based fund specialising in corporate venturing, says: "A lot of U.S. companies take the view that unless they finance these spinouts they will lose them anyway."

Siemens, the West German electrical giant, spun out an integrated circuit testing venture last year with the backing of Techno Venture Management, a Munich-based venture capital group in which it has a shareholding.

Sponsored spinouts are almost unheard of in the UK, but recent examples of three-way ventures jointly owned by a big company, an institutional investor, and the company's management include Systems Simulation, a software business backed by EMI early last year, and HEME International,

a 60 per cent-owned subsidiary of Pilkington, the glassmaker, which raised outside backing in February. In both cases, the third party is Electra Investment Trust.

The conventional explanation of why spinouts are much less frequent in the UK than in the U.S. is that British managers tend to find it harder to sacrifice the security of working for a big company than their transatlantic counterparts.

A number of UK venture capitalists has been actively striving in recent years to winkle big-company entrepreneurs out of the corporate woodwork to take part in joint ventures. Their explanation for the dearth of British spinouts goes rather deeper.

"Industrial companies find it difficult to see how they can achieve their objectives without keeping control," says Terry McKenna, who has been seeking corporate venture deals for Electra Investment Trust for two years. Electra completed the first stage of a spin-out with Ferranti last month involving eventual funding of £2.5m.

But McKenna admits to having come up against plenty of resistance in other British boardrooms. "Many British organisations just aren't justed to doing joint ventures," he says.

Tony Lorenz, managing director of Equity Capital for Industry, has for the last two to three years been actively trying to persuade large com-

panies to spin off their peripheral activities into his hands so far with success.

The greatest barrier, he argues, is the fact that British finance directors tend to be given more authority over their research and development colleagues than in the U.S., where the three are often seen as of equal importance to corporate strategy.

He can think of several anonymous cases in which British finance directors have refused to back spinouts on the grounds that they might be financed internally in later years, and that if they are good enough to win outside support, then they are certainly worth keeping inside the company.

"In the U.S., there is much more interest in keeping to the key strategy and spinning off peripheral activities, while in the UK people are more interested in preserving their companies' assets," maintains Lorenz. Another barrier is the paucity of young British research and development managers with all-round business experience; a result, says Lorenz, of the British practice of putting people in charge of profit centres at a much later age than can be expected in the U.S.

He argues that a project stands the best chance of becoming a spin-out when the research and development managers involved are young, but have enough financial expertise and corporate power to hold their own in negotiations with the finance director.

In brief...

URBED, a non-profit making local economic development concern, is to launch a programme from next January to assist owner managers to run their businesses more efficiently.

An open meeting for potential participants is to be held at Hammersmith Town Hall, West London, on October 14, at which URBED will provide details of the programme and explain how this type of training has helped others build their businesses. Participants will be fully sponsored by the Manpower Services Commission under its new adult training strategy. Places at the meeting can be reserved

by telephoning Alex James on 01-321 1292.

EMERY Worldwide, the international air freight transporter, is offering a free seven-day trip to the U.S. to the winner of its small business air exporter of the year competition.

The winner will visit Emery's base in Ohio and be introduced to U.S. businessmen to discuss export opportunities. Entrants are asked to write in 450 to 500 words how the use of air freight has helped their businesses and contributed to UK exports. The competition is open to businesses employing up to 200 people, and entries must be received by the end of December.

Details from Richard Buckley, Small Business Air Ex-

porter of the Year, 50 Russell Square, London WC1B 4HJ.

Tel 01-631 3434.

A ONE-DAY workshop to discuss how small business advisers can best disseminate information on the various kinds of support available to the sector is to be held at The Hatfield Polytechnic on November 21.

The seminar is intended for professional intermediaries and will cover, among other subjects, information needs of small businesses and how to strengthen the links between the many business advice agencies. Tickets are available at £37.50 each from Janet Owen, The Hatfield Polytechnic Library, c/o in-

formation for Industry, PO Box 110, Hatfield, Herts AL10 9AD.

LEEDS Polytechnic is to hold a two-day course on how to convert redundant industrial buildings for use by small businesses on October 31 and November 1.

Lectures will cover subjects ranging from identifying suitable buildings to the practical problems of conversion. Delegates will visit two projects to see at first hand the way in which development can be undertaken. The fee is £55, and applications should be sent to the Finance Officer, Leeds Polytechnic, Fawns Lane, Farnley, Leeds, LS12 5ET.

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COMMODITIES AND AGRICULTURE

Farm Bill deadlock approaches

BY NANCY DUNNE IN WASHINGTON

THE 1981 U.S. farm programme became history yesterday, when the four-year law, which governed loan support prices and subsidies, expired.

But while the House of Representatives voted to extend a number of specific support programmes temporarily from midnight last night, Congress and the Administration seem to be heading for a deadlock over a replacement measure.

Meanwhile, Congress and the Administration seem to be heading for a deadlock on a replacement measure. Although the House and Senate agriculture committees have given the Administration the lower House's support, they have insisted on maintaining income supports for the next several years and thus have exceeded the Congressional budget resolution by billions of dollars.

Last Thursday the House made clear that it would not be cowed by the President's threats to veto a "budget busting" measure. By wide margins — with Republicans joining Democrats — the House defeated Administration attempts to cut dairy and sugar price supports.

An effort to cut the current 18 cents a pound sugar support price to 15 cents over the next three years, a move also designed to assist the debt-burdened Latin American sugar producers, was defeated with more than 100 Republicans joining Democrats to say no.

A substitute dairy measure, which would link price support cuts to levels of surplus milk production, got nowhere as Republicans were plainly swayed by warnings that some 48,000 dairy farmers might be forced out of business.

The Senate is expected to begin debate on its Bill on October 15. There, a major battle is shaping up over a proposal by Senator Tom Harkin, an influential Iowa Democrat, to allow wheat farmers to vote on extensive acreage reduction and higher price supports.

The Harkin Bill received an unusual boost last weekend in a "farm aid" concert, sponsored by the nation's leading country music stars. While raising \$10m, many of the performers also pushed for passage of the Harkin legislation, described as "the only measure which can save family farmers."

Producers of winter wheat have begun their autumn planting in an atmosphere of uncertainty over the form of a final farm programme. If a strong set-aside package eventually emerges, they may have to plough under their seedlings. If price supports are lower, they may have to sell below their cost of production.

In the end, the Congressional struggle may all be for naught. Many analysts believe Congress, by its founding farm constituents, must send a president a Bill he will veto. In the absence of a national consensus, never a farm programme, the 1981 scheme may be resurrected for another year.

Eleventh hour coffee deal expected

BY DOUGLAS LEARMOND

AFTER TWO weeks of bagging, national coffee trade yesterday appeared set for a last-minute compromise on regulating the international market for another year.

The annual talks between the 75 members of the International Coffee Organisation (ICO), on how much coffee should be made available during the coffee year beginning October 1 to keep world prices within a target range, were due to end last Friday. But after three days of extensions, Mr. Hans Buchmann of Switzerland, the ICO Council chairman, said he believed agreement on a new package would be reached by last night after delegates had a chance to refer the latest proposals to their governments.

Government and trade delegates to the meeting said details of the agreement were likely to be finalised some time after the coffee futures market finished trading in New York.

Annual bargaining on quotas and prices nearly always drags on to the last minute, as some years negotiators have "stopped the clock" after failing to meet the end-September deadline.

As in past years, debate has been fiercest over the size of the export quota shared between the ICO's 50 producing members, who between them account for 99 per cent of all world exports.

The 1985-86 coffee year began with a global quota of 61m bags of 60 kilos each, a figure which was gradually pared down to 53.2m by the end of the year after a batch of quota cuts was implemented to keep prices within the agreed range of 120 to 140 cents a pound.

Producers have been keen to keep the global quota as small as possible this year to try to revive world prices, which are currently hovering below the ICO's 120 cents a pound floor price.

Consuming countries, however, anxious about possible supply shortages, particularly during the approaching high consumption winter months, were wary of agreeing on too restrictive a figure.

Latest indications suggested that last-minute horse trading would produce a figure somewhere between the extremes proposed by hardliners on both sides of 55m and 60m bags.

But consumers were just as concerned to ensure that producers actually shipped all the quota they were allocated. They complained that undershipments had not only kept world prices artificially high but had coincided with record sales of coffee to non-members of the ICO, usually at prices well below those paid by ICO members.

It was generally thought that the price range to be defended by any new pact would remain at 120 to 140 cents a pound, although some mechanism might be introduced to prod prices back into the official range as soon as possible.

Reuter

Philippines copper output cut further

MANILA — Atlas Consolidated Mining and Development Corporation will suspend operations at its main copper mine and a mill from today in a further response to the decline in world prices, reports Reuter.

Mr. Pablo Ong, the company's assistant vice-president, said the temporary shutdown would cut the company's daily output to 40,000 from 79,000 tonnes. Copper production in the six months ended June 30, fell to 118,12m lbs from 125,93m lbs in the first half of 1984.

Last July it suspended work at one open-pit mine and a mill in Cebu province. Its underground mine and one other concentrator will continue to operate, Mr. Ong said.

LONDON METAL EXCHANGE WAREHOUSE STOCKS (Changes during week ending last Friday)

(tonnes)	Aluminium	Copper	Lead	Nickel	Tin	Zinc
+1,500 to 191,275						
+1,500 to 207,025						
+1,500 to 34,025						
+1,500 to 34,025						
+1,500 to 34,025						
+1,500 to 34,025						

● The Netherlands' Budget zinc smelter, out of action since a fire on July 30, is working normally again, a spokesman for the 27,132 packages on offer reports Reuter from The Hague.

● TEA PRICES were little changed at yesterday's weekly London auction. Quality grade was again unquoted, medium was 1p dearer at 143p a kilo, low medium 1p cheaper at 109p.

The Tea Brokers' Association of London described demand for the 7,152 packages on offer as "fairly good although some what selective."

LONDON MARKETS

COFFEE FUTURES lost a large part of Friday's dramatic rally with the November position ending 234.90 down at 51,642.50 a tonne. Dealers said a highly mixed New York market and a very quiet physical market gave no lead to traders, whose attention remained focused on the International Coffee Organisation's still unresolved 1985-86 quota talks, which were due to finish at midnight. The cocoa markets, steady background sentiment was aided yesterday by reports that Brazilian growers were hoping for more rain. The December position ended 512.50 higher at 51,786 a tonne. Base metals on the London Metal Exchange were quiet though tin regained some of last week's losses.

LME Prices supplied by Amalgamated Metal Trading.

Aluminium

Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)

Copper

Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)

Higher grade Unofficial + or -

Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)

Official closing (m): Cash 943.5 (27.5), three months 972.4 (97.4), settlement 972.4 (97.4), turnover 14,400 tonnes. U.S. Producer price 64.5-68 cents per lb.

Lead

Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)

Official closing (m): Cash 276.75 (27.5), three months 276.75 (27.5), settlement 276.75 (27.5), turnover 27,700 tonnes. U.S. Spot 19/20 cents per lb.

Nickel

Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)

Official closing (m): Cash 4,115.20 (3,060.30), three months 4,115.20 (3,060.30), settlement 4,115.20 (3,060.30), turnover 1,110 tonnes.

Tin

Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)

Official closing (m): Cash 8,717.2 (8,730.5), three months 8,717.2 (8,730.5), settlement 8,717.2 (8,730.5), turnover 2,720 tonnes. U.S. Prime Western 32.5-35 cents per lb.

Zinc

Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
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GOLD

Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
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Unofficial + or -	Official closing (m)	Official closing (m)
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GOLD AND PLATINUM COINS

Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)

Official closing (m): Cash 8,717.2 (8,730.5), three months 8,717.2 (8,730.5), settlement 8,717.2 (8,730.5), turnover 2,720 tonnes. U.S. Prime Western 32.5-35 cents per lb.

SILVER

Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)

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COCOA

Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
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FINANCIAL TIMES

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U.S. MARKETS

THE precious metal markets came under liquidation pressure in response to renewed dollar strength and prospects for further reform in South Africa, reports Heinold Commodities. Copper led ground in sympathy with precious metals along with a smaller than expected decline in LME stocks. Aluminium news: The coffee market was generally steady awaiting the outcome of the ICO meeting and the quota for the 85-86 season. Cotton was firm on fears of quality damage in the Delta due to recent rains.

Heating oil came under pressure from profit-taking ahead of the OPEC meeting on October 3. Soyabean and maize were steady on harvest delays due to precipitation in the major growing areas. Wheat weakened on the failure of the USSR to meet the minimum export level specified under the US-USSR long term agreement.

NEW YORK

Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
Unofficial + or -	Official closing (m)	Official closing (m)
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Higher grade Unofficial + or -

Unofficial + or -	Official closing (m)	Official closing (m)
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Unofficial + or -	Official closing (m)	Official closing (m)
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Lead

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Unofficial + or -	Official closing (m)	Official closing (m)
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GOLD

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Threats of selling suppress \$

The dollar closed little changed after a confused day, when the improvement in recent U.S. economic data was offset by the continued threat of central bank intervention. Friday's better than expected U.S. trade figures were followed yesterday by a rise of 0.7 per cent in August U.S. leading economic indicators. This was towards the top end of the forecast range, while the July increase was revised up to 0.7 per cent from 0.6 per cent.

This helped the dollar recover to show small net changes at the London close, but the threat of intervention prevented any sharp rise. The U.S. currency began on a weak note, after comments by Japanese officials about the need to increase the yen's value. Dealers suggested the Bank of Japan may have sold a small amount of dollars when the dollar fell to 132.5 against the yen in Tokyo, pushing it down to 131.50, the lowest level since December 1981. The German Bundesbank also maintained a pressure in the Frankfurt market, but probably not on the open market.

The dollar closed unchanged at DM 2.6785 and rose to SwFr 2.1945 from SwFr 2.1925, but fell to FF 8.12 from FF 8.10.

FF 8.12; and Y218.35 from Y218.45.

On Bank of England figures the dollar's exchange rate index fell to 131.9 from 132.2.

£ IN NEW YORK

	Sept. 30	Prev. close
1 month	91.4022-1.4040	N/A
3 months	91.4117-1.18	N/A
6 months	91.4222-1.18	N/A

Forward premiums and discounts apply to the U.S. dollar.

STERLING — Trading range against the dollar in 1985 is 1.4400 to 1.6325. August average 1.5385. Exchange rate index fell 0.3 to 80.2, but ended at the highest level of the day. It opened at 79.7, and touched a low of 79.5 at 10 am, before slowly recovering. Sterling recovered after a bout of early weakness, to close stronger against most major currencies, apart from the Japanese yen. Concern about oil prices, ahead of this week's meeting of Opec ministers, and rumours about British entry into the ERM, depressed the pound initially. It recovered, however, and closed at the day's peak of \$1.4085-1.4095, a rise of 0.4 cent on the day. Sterling also rose to DM 2.6785 from DM 2.6750 on DM 2.6785.

FINANCIAL FUTURES

Eurodollars ease

Euro-dollar prices were lower in the London International Financial Futures Exchange yesterday. Trading positions were rather higher than expected, and a very narrow range ahead of U.S. leading economic indicators.

Initial reaction to a rise in August of 0.7 per cent was rather neutral since this was much in line with market expectations. However, values were marked down as the July figures rose to a revised 0.7 per cent from 0.6 per cent. The decline was very short lived nevertheless as news of a downward revision in June's figure to a rise of 0.2 per cent from 1.0 per cent attracted renewed buying, so that December came back from a low of 91.62 to touch a high of 91.70. Despite a lower than expected opening Federal funds rate, the rally was not sustained and as short term funds became more expensive so prices fell. December closed at 91.60 down from 91.70 on Friday.

The market will also be watching today's meeting of the Federal Open Market Committee and the release of Friday of the previous month's minutes. In addition there is still a reasonable body of opinion hoping for an early reduction in the U.S. discount rate.

Sterling based instruments opened lower, reflecting the weaker dollar, and were gradually sold during the day. Some buying did develop at the lower levels but trading remained very nervous in view of sterling's recent weakness and speculation about UK entry into the EMS.

Currency options showed little change, with the low volume reflecting a lack of movement in the dollar-sterling rate.

POUND-£ (Foreign Exchange)

Sept. 30	1 month	3 months	6 months	12 months
Sept. 30	1.3570	1.3570	1.3570	1.3570
Sept. 30	1.3570	1.3570	1.3570	1.3570

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LONDON

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U.S. TREASURY BONDS

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LEISURE—Continued

**"Recent Issues" and "Rights" Page 40
(International Edition Page 44)**

LONDON STOCK EXCHANGE

MARKET REPORT

Selected leaders and international stocks edge higher

FT index up 9.8 more at 999.4

Account Dealing Dates
Option
*First Declared Last Account
Dealing Date
Sept 2 Sept 26 Sept 27 Oct 7
Sept 16 Sept 26 Sept 27 Oct 7
Sept 20 Oct 10 Oct 14 Oct 21

Reflecting relief that hurricane "Gloria" did not devastate New York City, Composite Insurances regained composure, closing with improvements, ranging to 13. Royal, at 655p, closed much dearer, while General Accident put on 3 at 603p and Sun Alliance appreciated 5 at 450p. Elsewhere, Minet advanced a couple of pence to 214p in anticipation of tomorrow's interim results.

All three newcomers to the United Securities Market made encouraging debuts. Counter Products Marketing opened at 130p and moved up to 135p, compared with the placing price of 125p, while Collegen, placed at 90p, began at 85p and advanced to 105p. Electronic Data Processing settled a penny above the placing price of 75p, after 77p. Interest in this area tended to fade as the pound began to rally, but this was compensated to a large extent by the appearance of buyers for selected blue-chip industrial and the tone remained firm throughout the session.

The lack of any guidance from Wall Street following the enforced closure of the centre last Friday made for a little caution at the opening, but the Financial Times Ordinary share index gradually improved to close 9.8 higher at 999.4 for a two-day rise of 20.2 points.

Overall, the volume of trade was relatively small. However, the day's business was enlivened by James Neill's takeover bid for Spar and Jackson. Weakness in the market was provided by some of the more noteworthy movements and induced a flurry of speculative buying in the Merchant Banking sector. Oil leaders held steady after last Friday's good gains. Elsewhere, company trading statements kept dealers in check.

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FINANCIAL TIMES STOCK INDICES

	Sept. 27	Sept. 28	Sept. 29	Sept. 30	Sept. 1	Year ago
Government Secs.	83.21	85.98	84.08	85.78	85.77	84.08
Fixed Interest	82.42	85.13	83.30	85.16	85.16	84.25
Ordinary	999.4	999.4	999.4	999.4	999.4	999.4
Gold Mines	297.7	301.5	301.5	306.3	310.0	306.3
Ord. Div. Yield	4.77	4.82	4.86	4.86	4.85	4.78
Earnings, Yld. (p/ft)	11.28	11.90	11.92	11.99	11.99	11.39
P/E Ratio (net)	10.61	10.49	10.30	10.42	10.44	10.54
Total bargain (mil.)	124.4	120.4	120.4	121.2	121.2	121.2
Equity turnover (m)	399.04	399.04	399.04	399.04	399.04	399.04
Equity bargains	20,854	18,306	18,434	18,119	18,119	18,119
Shares traded (mil.)	118.3	126.4	126.4	126.4	126.4	126.4

10 am 992.2, 11 am 995.2, Noon 995.8, 1 pm 996.4, 2 pm 997.1, 3 pm 998.0, 4 pm 998.5.
Oy's High 998.5, Oy's Low 996.5.
Saxo 100 Govt. Secs. 15/10/28, Fixed Int. 15/28, Ordinary 1/7/28.
Gold Mines 12/10/28, SE Activities 1974.
Latest Index 91-244 992.8.
* Nil = 10.22.

HIGHS AND LOWS S.E. ACTIVITY INDICES

	1985	Since Completion	1985	Since Completion
Govt. Secs.	84.06	78.02	107.4	48.18
Fixed Int.	82.42	82.17	100.4	30.92
Ordinary	999.4	999.4	999.4	999.4
Gold Mines	297.7	301.5	306.3	310.0
Ord. Div. Yield	4.77	4.82	4.86	4.86
Earnings, Yld. (p/ft)	11.28	11.90	11.92	11.99
P/E Ratio (net)	10.61	10.49	10.30	10.42
Total bargain (mil.)	124.4	120.4	120.4	121.2
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inspired improvements of 4 and 8 respectively were seen in Cowan do Groot, 37p, and Westair, 114p. WSL, formerly Wolvborough Steam Laundry, continued to reflect expansion hopes with a fresh rise of 10 to 64p and Westair Industries moved up 5 to 50p in anticipation of today's interim figures. Sandhurst Marketing appreciated 4 to 65p following the half-year results, while Granada rose 6 to 190p after publicity given to a broker's circular. Reflecting the buoyant performance of the merchant banking sector, Pearson, owner of Lazard, rose 12 to 310p. Revised speculative buying lifted R. Watson 13 to 150p. Still overshadowed by the recent profits warnings, Associated Energy fell 3 more to 35p and Securicor 7 further to 83p. The leaders continued last Friday's rallying movement. Glaxo added 4 at 213p and Rank Organisation added 3 to 115p.

Among London-domiciled financial firms, Anglo-Continental rose 1p to 125p, while the company's recent rally and closed a further 5 to the good at 552p. Helped by the early decline in sterling, Consolidated Gold Fields, on the other hand, gradually eased and settled a net 7 lower at 427p, despite news of a possible £100m management buy-out of its U.S. subsidiary.

Australian industrial issues continued to race ahead on Sydney and Melbourne markets overnight, buoyed by widespread takeover speculation, but the trend failed to follow through into the morning sector which remained a backwater. MIM Holdings were especially vulnerable and dropped 6 more to 25p. The 125p following news that the company has purchased Weeks Petroleum's 14 per cent stake in America's Asarco Minerals. Anglo-Continental made further progress and edged up 5 more to a 1985 high of 108p. Gem Exploration were outstanding in the speculative issues and rose 6 to 85p.

Options
Call options were transacted in Energy, Capital, Terrex Resources, Property Trust, Crystalline, Harris University, Presmar, University of S. R. Kent, Eglinton Oil and Gas, Royal, Chloride, Guinness Peat, Nottel Estates, Hambros, Fawcett, Cairn, Schreyer, Pearson and Jackson, Thorne Electrical, Falcon Resources, Oceania, Armour Trust and Somportex. No puts or doubles were arranged.

Rises and falls yesterday
British Funds: 13 17 62
Foreign Bonds: 441 242 807
Industrial: 32 17 78
Fin. and Props.: 32 17 78
Dix: 32 17 78
Nimes: 32 17 78
Totals: 736 440 1,616

Monday's active stocks
Based on bargains recorded in Stock Exchange Official List.

European options exchange
Series Vol. Nov. Last Vol. Feb. Last Vol. May Last Stock

YESTERDAY'S ACTIVE STOCKS
Above average activity was noted in the following stocks yesterday.

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RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest share price	1985		Stock	Closing price	+ or -	Net dividend	Gross dividend	Ratio
			High	Low						
554	F.P. 80.00	41	35	'Anglo Ind. Dev.	41	—	10.10	0.1	3.618.4	
185	F.P. 0.10	7	6	'Bartley Ind. Ord.	117	—	11.10	0.1	5.2.4.0	
186	F.P. 1.11/14	117	117	'Britoil 10p	137	—	11.10	0.1	5.2.4.0	
187	F.P. —	137	137	'Business Mort. Yds.	137	—	11.10	0.1	5.2.4.0	
188	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
189	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
190	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
191	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
192	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
193	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
194	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
195	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
196	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
197	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
198	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
199	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
200	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
201	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
202	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
203	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
204	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
205	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
206	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
207	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
208	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
209	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
210	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
211	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
212	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
213	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
214	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
215	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
216	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
217	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
218	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
219	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
220	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
221	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
222	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
223	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
224	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
225	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
226	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
227	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
228	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
229	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
230	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
231	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
232	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
233	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
234	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
235	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
236	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
237	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
238	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
239	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
240	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
241	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
242	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
243	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
244	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
245	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
246	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
247	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
248	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
249	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
250	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
251	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
252	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
253	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
254	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
255	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
256	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
257	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
258	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
259	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
260	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
261	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
262	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
263	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
264	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
265	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
266	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
267	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
268	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
269	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
270	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
271	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
272	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
273	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
274	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
275	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
276	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
277	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
278	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
279	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
280	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
281	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
282	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
283	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
284	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
285	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
286	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
287	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
288	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
289	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
290	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
291	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
292	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
293	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
294	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
295	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
296	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
297	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
298	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
299	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
300	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
301	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
302	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
303	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
304	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
305	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
306	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
307	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
308	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
309	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
310	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
311	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
312	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
313	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
314	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
315	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
316	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
317	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
318	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.0	
319	F.P. —	145	93	'Collegen	137	—	11.10	0.1	5.2.4.	

WORLD STOCK MARKETS

AUSTRIA				GERMANY				NORWAY				AUSTRALIA (continued)				JAPAN (continued)			
Sept. 30	Price	Change		Sept. 30	Price	Change		Sept. 30	Price	Change		Sept. 30	Price	Change		Sept. 30	Price	Change	
Admiral	100	+1		Admiral	100	+1		Admiral	100	+1		Admiral	100	+1		Admiral	100	+1	
Alpine	100	+1		Alpine	100	+1		Alpine	100	+1		Alpine	100	+1		Alpine	100	+1	
Bank Austria	100	+1		Bank Austria	100	+1		Bank Austria	100	+1		Bank Austria	100	+1		Bank Austria	100	+1	
Brenntag	100	+1		Brenntag	100	+1		Brenntag	100	+1		Brenntag	100	+1		Brenntag	100	+1	
Chemiebank	100	+1		Chemiebank	100	+1		Chemiebank	100	+1		Chemiebank	100	+1		Chemiebank	100	+1	
Commerzbank	100	+1		Commerzbank	100	+1		Commerzbank	100	+1		Commerzbank	100	+1		Commerzbank	100	+1	
Conrad	100	+1		Conrad	100	+1		Conrad	100	+1		Conrad	100	+1		Conrad	100	+1	
Deutsche Bank	100	+1		Deutsche Bank	100	+1		Deutsche Bank	100	+1		Deutsche Bank	100	+1		Deutsche Bank	100	+1	
Elektron	100	+1		Elektron	100	+1		Elektron	100	+1		Elektron	100	+1		Elektron	100	+1	
Ernst & Young	100	+1		Ernst & Young	100	+1		Ernst & Young	100	+1		Ernst & Young	100	+1		Ernst & Young	100	+1	
Fininvest	100	+1		Fininvest	100	+1		Fininvest	100	+1		Fininvest	100	+1		Fininvest	100	+1	
Generale Bank	100	+1		Generale Bank	100	+1		Generale Bank	100	+1		Generale Bank	100	+1		Generale Bank	100	+1	
Industriewerk	100	+1		Industriewerk	100	+1		Industriewerk	100	+1		Industriewerk	100	+1		Industriewerk	100	+1	
Int. Bank	100	+1		Int. Bank	100	+1		Int. Bank	100	+1		Int. Bank	100	+1		Int. Bank	100	+1	
Leasing	100	+1		Leasing	100	+1		Leasing	100	+1		Leasing	100	+1		Leasing	100	+1	
Mercedes-Benz	100	+1		Mercedes-Benz	100	+1		Mercedes-Benz	100	+1		Mercedes-Benz	100	+1		Mercedes-Benz	100	+1	
Neue Bank	100	+1		Neue Bank	100	+1		Neue Bank	100	+1		Neue Bank	100	+1		Neue Bank	100	+1	
Österreichische	100	+1		Österreichische	100	+1		Österreichische	100	+1		Österreichische	100	+1		Österreichische	100	+1	
Rechtsanwalt	100	+1		Rechtsanwalt	100	+1		Rechtsanwalt	100	+1		Rechtsanwalt	100	+1		Rechtsanwalt	100	+1	
Salzburger	100	+1		Salzburger	100	+1		Salzburger	100	+1		Salzburger	100	+1		Salzburger	100	+1	
Sparkasse	100	+1		Sparkasse	100	+1		Sparkasse	100	+1		Sparkasse	100	+1		Sparkasse	100	+1	
Steiermark	100	+1		Steiermark	100	+1		Steiermark	100	+1		Steiermark	100	+1		Steiermark	100	+1	
Telekom	100	+1		Telekom	100	+1		Telekom	100	+1		Telekom	100	+1		Telekom	100	+1	
Wolfsberg	100	+1		Wolfsberg	100	+1		Wolfsberg	100	+1		Wolfsberg	100	+1		Wolfsberg	100	+1	
Yamaha	100	+1		Yamaha	100	+1		Yamaha	100	+1		Yamaha	100	+1		Yamaha	100	+1	

CANADA

TORONTO				MONTREAL			
Sept. 30	Price	Change		Sept. 30	Price	Change	
Alcan	100	+1		Alcan	100	+1	
Bell Canada	100	+1		Bell Canada	100	+1	
Bank of Montreal	100	+1		Bank of Montreal	100	+1	
Bank of Toronto	100	+1		Bank of Toronto	100	+1	
Canadian Pacific	100	+1		Canadian Pacific	100	+1	
Imperial Oil	100	+1		Imperial Oil	100	+1	
Inco	100	+1		Inco	100	+1	
Noranda	100	+1		Noranda	100	+1	
Papier Mill	100	+1		Papier Mill	100	+1	
Placer Dome	100	+1		Placer Dome	100	+1	
Power Corp	100	+1		Power Corp	100	+1	
Scotiabank	100	+1		Scotiabank	100	+1	
Shawmut	100	+1		Shawmut	100	+1	
St. Lawrence	100	+1		St. Lawrence	100	+1	
Union Bank	100	+1		Union Bank	100	+1	
Western Union	100	+1		Western Union	100	+1	
Windsor	100	+1		Windsor	100	+1	
York	100	+1		York	100	+1	

Indices

NEW YORK				LONDON			
Sept. 30	Price	Change		Sept. 30	Price	Change	
Dow Jones	100	+1		Dow Jones	100	+1	
S&P 500	100	+1		S&P 500	100	+1	
Nikkei	100	+1		Nikkei	100	+1	
Hong Kong	100	+1		Hong Kong	100	+1	
Japan	100	+1		Japan	100	+1	
France	100	+1		France	100	+1	
Germany	100	+1		Germany	100	+1	
Italy	100	+1		Italy	100	+1	
Spain	100	+1		Spain	100	+1	
Sweden	100	+1		Sweden	100	+1	
Switzerland	100	+1		Switzerland	100	+1	
Netherlands	100	+1		Netherlands	100	+1	
Australia	100	+1		Australia	100	+1	
Canada	100	+1		Canada	100	+1	

OVER-THE-COUNTER

Nasdaq national market, 2:30pm prices

Continued from Page 41				Continued from Page 41			
Stock	Price	Change		Stock	Price	Change	
Alcan	100	+1		Alcan	100	+1	
Bell Canada	100	+1		Bell Canada	100	+1	
Bank of Montreal	100	+1		Bank of Montreal	100	+1	
Bank of Toronto	100	+1		Bank of Toronto	100	+1	
Canadian Pacific	100	+1		Canadian Pacific	100	+1	
Imperial Oil	100	+1		Imperial Oil	100	+1	
Inco	100	+1		Inco	100	+1	
Noranda	100	+1		Noranda	100	+1	
Papier Mill	100	+1		Papier Mill	100	+1	
Placer Dome	100	+1		Placer Dome	100	+1	
Power Corp	100	+1		Power Corp	100	+1	
Scotiabank	100	+1		Scotiabank	100	+1	
Shawmut	100	+1		Shawmut	100	+1	
St. Lawrence	100	+1		St. Lawrence	100	+1	
Union Bank	100	+1		Union Bank	100	+1	
Western Union	100	+1		Western Union	100	+1	
Windsor	100	+1		Windsor	100	+1	
York	100	+1		York	100	+1	

NYSE COMPOSITE CLOSING PRICES

Continued from Page 47				Continued from Page 47			
Stock	Price	Change		Stock	Price	Change	
Alcan	100	+1		Alcan	100	+1	
Bell Canada	100	+1		Bell Canada	100	+1	
Bank of Montreal	100	+1		Bank of Montreal	100	+1	
Bank of Toronto	100	+1		Bank of Toronto	100	+1	
Canadian Pacific	100	+1		Canadian Pacific	100	+1	
Imperial Oil	100	+1		Imperial Oil	100	+1	
Inco	100	+1		Inco	100	+1	
Noranda	100	+1		Noranda	100	+1	
Papier Mill	100	+1		Papier Mill	100	+1	
Placer Dome	100	+1		Placer Dome	100	+1	
Power Corp	100	+1		Power Corp	100	+1	
Scotiabank	100	+1		Scotiabank	100	+1	
Shawmut	100	+1		Shawmut	100	+1	
St. Lawrence	100	+1		St. Lawrence	100	+1	
Union Bank	100	+1		Union Bank	100	+1	
Western Union	100	+1		Western Union	100	+1	
Windsor	100	+1		Windsor	100	+1	
York	100	+1		York	100	+1	

LONDON

Chief price changes

RISERS				FALLS			
Stock	Price	Change		Stock	Price	Change	
Alcan	100	+1		Alcan	100	+1	
Bell Canada	100	+1		Bell Canada	100	+1	
Bank of Montreal	100	+1		Bank of Montreal	100	+1	
Bank of Toronto	100	+1		Bank of Toronto	100	+1	
Canadian Pacific	100	+1		Canadian Pacific	100	+1	
Imperial Oil	100	+1		Imperial Oil	100	+1	
Inco	100	+1		Inco	100	+1	
Noranda	100	+1		Noranda	100	+1	
Papier Mill	100	+1		Papier Mill	100	+1	
Placer Dome	100	+1		Placer Dome	100	+1	
Power Corp	100	+1		Power Corp	100	+1	
Scotiabank	100	+1		Scotiabank	100	+1	
Shawmut	100	+1		Shawmut	100	+1	
St. Lawrence	100	+1		St. Lawrence	100	+1	
Union Bank	100	+1		Union Bank	100	+1	
Western Union	100	+1		Western Union	100	+1	
Windsor	100	+1		Windsor	100	+1	
York	100	+1		York	100	+1	

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Continued on Page 47

NYSE COMPOSITE CLOSING PRICES

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Continued on Page 45

AMEX COMPOSITE CLOSING PRICES

Stock	Div	P/E	Stk	High	Low	Close	Change	Stock	Div	P/E	Stk	High	Low	Close	Change	Stock	Div	P/E	Stk	High	Low	Close	Change
			100s								100s								100s				
AcmePr		30	20	20	20	20	20	AcmePr		30	20	20	20	20	20	AcmePr		30	20	20	20	20	
Acton		19	10	10	10	10	10	Acton		19	10	10	10	10	10	Acton		19	10	10	10	10	
Adobe		22	136	174	169	174	174	Adobe		22	136	174	169	174	174	Adobe		22	136	174	169	174	
Airson		60	44	44	44	44	44	Airson		60	44	44	44	44	44	Airson		60	44	44	44	44	
Alcatel		4	56	56	56	56	56	Alcatel		4	56	56	56	56	56	Alcatel		4	56	56	56	56	
Altair		12	47	115	115	115	115	Altair		12	47	115	115	115	115	Altair		12	47	115	115	115	
Amelco		20	15	701	124	124	124	Amelco		20	15	701	124	124	124	Amelco		20	15	701	124	124	
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OVER-THE-COUNTER *Nasdaq national market, 2:30pm prices***Nasdaq national market, 2.30pm prices**[illegible]

Continued on Page 45

FINANCIAL TIMES

WORLD STOCK MARKETS

WALL STREET

Enthusiasm difficult to sustain

A STRONG gain in the Commerce Department's leading economic indicators helped Wall Street stocks hold steady yesterday although buyers appeared unenthusiastic, writes Terry Byland in New York.

Leading market indices were again distorted as the stock price of General Foods responded to the Philip Morris bid which came when the market was closed by Hurricane Gloria.

At the close the Dow Jones industrial average was 7.84 up at 1,328.63.

Bonds turned easier in response to the Commerce Department indicators, and speculation about official credit policies died away ahead of today's meeting of the Fed's Open Market Committee.

On balance, market specialists believed the Fed would leave policy unchanged for the present - unless a specific plan was made to help the dollar down by easing U.S. interest rates.

In the stock market, oils provided the best feature. They were encouraged by a recommendation from a leading analyst who stressed he was identifying a short-term trading opportunity rather than a genuine recovery.

Exxon jumped 1 1/4 to \$51, although turnover was light. Also firm were Mobil, up 8¢ to \$29, Atlantic Richfield, up 1 1/4 to \$61, and Chevron, up 5¢ to \$37 1/4.

In a weak technology sector, IBM shed 5/8 to \$123 1/4, while Burroughs stood out with a fall of 1 1/4 to \$64 1/4. Other losses among the computer leaders were mostly small.

The domestic air carriers looked unstable on the fine of \$1.5m imposed on American Airlines for maintenance violations. At \$39 1/4, American fell 5/8 while United shed 3/8 to \$47 1/4, but selling pressure was light in both cases. The sharp fall in the Dow transportation average was largely a reflection of the drop of \$1 to \$44 in Federal Express, after last week's annual meeting left some analysts disappointed.

In a mixed defence/aerospace sector, United Technologies eased 5/8 to \$37 1/4 as the market awaited comment on rumours that the company might be interested in bidding for Westland, the UK helicopter manufacturer.

General Dynamics, down 5/8 to \$69 1/4, and McDonnell Douglas, down 3/4 to \$69 1/4, were other major defence stocks on the downward tack.

Stock in Gould, the latest takeover hope, jumped 1 1/4 to \$31 1/4 in heavy turnover after Siemens of West Germany admitted discussions but denied making an offer.

Motor stocks continued to drift downwards as Wall Street brushed aside the boost to sales provided by generous financing plans by the major manufacturers. At \$69 1/4, General Motors shed 5/8 to \$68 3/4, and Ford was 5/8 easier at \$44.

Topping the active list was Richardson-Vicks, up 5/8 to \$62 1/4, as a federal judge barred Richardson's defence plan. Wall Street hopes this will induce the Richardson directors to acquiesce to Unilever's offer - which will then be made at \$60 a share.

Stock in SCM edged up 5/8 to \$73 1/4 following a court decision to allow Hanson Trust to buy shares in SCM.

Among the consumer stocks, General Foods was marked up 1 1/4 to \$116 1/4, against the \$120 bid from Philip Morris, and more than 1m shares traded.

Philip Morris dipped 1 1/4 to \$74 1/4, and some other speculative issues lost ground with the cigarette group's attention fully committed to the acquisition of General Foods. Pillsbury, another bid favourite, fell 3/8 to \$56 1/4, and Quaker Oats at \$54 1/4 lost 5/8.

Revlon, the cosmetics group, bounded ahead 3 3/4 to \$46 as Panty Pride deliberated raising its offer to \$50 a share, and the market waited for Revlon to open negotiations.

In the credit market federal funds moved up to 8 per cent, dragging three-month Treasury bill rates higher in their wake. Turnover in bonds was light, and prices shaded lower while waiting for the next move in the saga of the U.S. dollar.

TOKYO

Yen's rise prompts buying

THE YEN'S continued climb against the dollar prompted institutional buying of large-capital issues, trading houses and electric railways in Tokyo yesterday, writes Shigeo Nishitani of Jiji Press.

The Nikkei-Dow market average surged 107.10 to 12,700.11. Volume swelled from last Friday's 737m to 915m shares. Gains outpaced losses by 522 to 261, with 128 issues unchanged.

The demand for large-capital issues gathered momentum when the yen peaked at 215 to the dollar on the Tokyo foreign exchange market.

The Bank of Japan was expected to guide the yen to between Y200 and Y210 to the dollar, arousing hopes for a cut in the official discount rate.

Many securities companies, startled by the demand for large-capital issues, will keep a close watch on whether such

stocks will slip when the yen's value peaks. They noted that the bullish market was caused mainly by institutional investors, awash with funds, who were seeking immediate capital gains.

Large-capital issues accounted for nine of the 10 most-active stocks which represented 45.9 per cent of total turnover.

Nippon Steel added Y10 to Y196 and was the most active with 155.3m shares. Next was Mitsubishi Heavy Industries. With 11.7m shares traded, it firmed Y16 to Y478.

Tokyo Electric Power rose Y140 to an all-time high of Y2,830, with 17.4m shares changing hands.

Tokyo Gas climbed Y38 to Y385, Kawasaki Steel Y8 to Y107 and Kobe Steel Y20 to Y233.

Mitsui and Co gained Y14 to Y494, reflecting hopes of lower interest rates.

Major contractors firmed, with Kajima putting on Y8 to Y598. Sekisui House jumped Y48 to Y1,030, Wakachiku Construction Y65 to Y815 and Sato Kogyo Y34 to Y490.

Electric railways, properties and other issues with heavy off-the-book assets were also popular. Tobu Railway added Y16 to Y486 and Mitsubishi Estate Y90 to Y1,120.

Some blue chips strengthened on small-lot buying with Matsushita Electric Industrial rising Y10 to Y1,060. But others remained lacklustre.

Biotechnology-related stocks lost ground on widespread light selling, with Yamanouchi Pharmaceutical shedding Y120 to Y2,930 and Daiichi Seiyaku Y70 to Y1,820.

Bond prices also hardened in busy trading by securities firms and banks. The yield on the 8.8 per cent government bond due in December 1994 slipped to a record low of 5.675 per cent from 5.720 on Saturday.

SINGAPORE

PROFIT-TAKING put an end to last week's upward trend in Singapore where the Straits Times industrial index shed 11.73 points to close at 778.06 in active trading.

Turnover fell to 18.8m shares from Friday's 35.6m.

Most active was Pabang which ended the day 6 cents up at 63 cents with 3m shares traded.

Elsewhere among the actives, the trend was mostly downwards. North Borneo Timber eased 38 cents to \$51.90, and Pan Electric fell back 17 cents to \$51.04.

Other falls included Straits Trading, down 15 cents at \$33.00 ex-scrip, Haw Par, 4 cents lower at \$2.17, and Cold Storage, 6 cents lower at \$33.04.

Hotels, properties and commodities eased in line with the trend.

SOUTH AFRICA

A LACK of direction, particularly for golds, left Johannesburg mixed in moderate trading.

The few movers among golds included Kinross, which shed 50 cents to R14.25, and Kloof, which gained 25 cents to R22. Other miners and mining financials were little changed.

Elsewhere, Barlow Rand added 5 cents to R11.70, AE & CI was unchanged at R7.60 and Anglo American Corp was 5 cents down at R33.75.

EUROPE

Frankfurt climbs to eighth peak

PERSISTENT foreign buying developed in Frankfurt yesterday taking the Commerzbank index to its eighth record peak for September with a 24.8 point rise to 1,565.7.

The buying power of overseas investors seemed concentrated on a limited number of issues, partly explaining the huge DM 27.50 jump to a record DM 653.50 for Deutsche Bank. Other banks to finish at all-time peaks were Dresdner, up a more modest DM 5.90 to DM 282.40, and Commerzbank, DM 4.10 higher at DM 238.90.

The banking sector is poised to score impressive earnings figures for the current year while the likely cut in interest rates is expected to spur domestic loan demand. The sector is also forecast to reap healthy foreign exchange windfalls.

The softer dollar turned the car sector easier in places, with Porsche DM 10 down at DM 1,300, although BMW managed a respectable enough DM 5.50 rise to DM 478.50 on some large block purchases from overseas.

Utilities, always sensitive to interest-rate trends, real or imagined, gained ground, with RWE at a 1985 high of DM 211.50 with its DM 8 rally as Veba settled at a high for the year with its DM 13 advance to DM 268.

Specialist chemical and precious metals refiner Degussa strode confidently ahead to a record with a DM 20.50 gain to DM 409.50, and Schering staged an equally impressive showing with its DM 21 rise to DM 544.

Bonds were dull, and the Bundesbank bought DM 1.5m worth of paper compared with Friday's purchases of DM 34.3m.

Zurich enjoyed a brisk recovery in good volume, with insurers particularly sought after by overseas investors although possible South African exposure dampened banks. Bonds were mixed.

The selective advance in Milan featured Fiat, L69 higher at a record L4,759. Pirelli gained L135 to L5,855. Banks firmed, with Credito Italiano L90 up at L3,200 and Banca Commerciale L450 stronger at L25,000, a new high.

Paris closed lower in light trading, with Elf FFf 3.80 down at FFf 184 ahead of results, while BSN edged FFf 40 down to FFf 2,060 before its lower profits for the first half were released.

Holding companies found support in a stronger Brussels as Groupe Bruxelles Lambert picked up BFr 15 to BFr 2,065 on further consideration of its recent results and forecast. Gevaert scored a BFr 90 advance to BFr 4,200 while in the chemical sector UCB lost BFr 60 to BFr 5,200 and Solvay firmed BFr 50 to BFr 5,380.

Internationals were mixed in a firmer Amsterdam, with analysts suffering a change of heart over national carrier KLM which is now felt well positioned



to buffet the stormy movements in the dollar. The airline, now in the middle of its trading range for the year, added 20 cents to FFf 54.40.

Philips meanwhile shed 20 cents to FFf 47.40 on the effect the dollar is likely to have on its profits although Unilever, likely to conclude its latest U.S. corporate raid soon, picked up 40 cents to FFf 328.40. Bond prices, where changed, eased.

A lacklustre Stockholm saw Electrolux, the most active, shed SKr 3 to SKr 144 ex-scrip. Active trading took Madrid higher.

CANADA

THIN trading left many stocks lower in Toronto after registering gains at the end of last week.

Oils, which had sparked Friday's rally, were generally down. Husky Oil fell C\$4 to C\$9 1/2, and Dome Petroleum was down 3 cents to C\$2.75.

Elsewhere, Northern Telecom declined C\$4 to C\$45, and National Victoria and Grey Trust was down C\$2 to C\$20.

In Montreal banks and utilities traded lower while industrials firmed.

AUSTRALIA

Record run refuelled by BHP

WIDESPREAD demand in most sectors helped boost Sydney to its third consecutive record high.

The All Ordinaries index ended the day 6.5 up at 987.0, fuelled by busy trading in BHP, a shortage of stock and continued takeover rumours.

Turnover was 35m shares, worth A\$55.3m. Gains, mostly among industrials, outpaced losses by 256 to 187.

BHP added 16 cents to A\$7.84, still buoyed by record quarterly profit results of A\$304.2m announced on Friday.

Bell Resources added 62 cents to A\$8.80, CSR 10 cents to A\$8.40 and Feko 6 cents to A\$5.06, but North Broken Hill lost 5 cents to A\$2.45 and MIM was down 14 cents to A\$2.42.

Media shares also ended the day higher. Fairfax surged 30 cents to A\$9.30 and News Corp 20 cents to A\$7.60.

Oil and gas stocks were firmer, with Bridge up 4 cents to A\$2.34 and Santos 9 cents to A\$5.04.

Gold stocks were generally lower, with Kidston 6 cents down at A\$5.50 and Sons of Gwalia 2 cents at A\$2.90.

LONDON

INTERNATIONAL stocks and blue-chip industrials in London both benefited from the changing value of sterling.

Early weakness of the pound against the dollar boosted demand for industrials which faded later as sterling rallied. But this was offset by the appearance of buyers of blue-chip industrials.

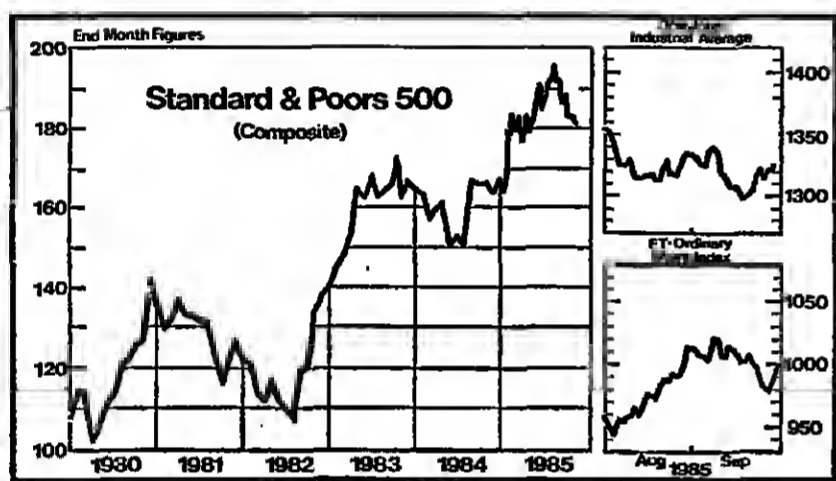
The FT Ordinary share index ended 9.8 higher at 999.4.

Among the actives British Land added 5p to 185p, Camford Engineering 3 1/2p to 48p, Spear & Jackson - subject of a takeover bid by James Neill - went up 48p to 218p and Deutsche Bank rose 6p to £172.

Government securities were quiet in routine trading, and prices settled around 1/4 lower on the day.

Chief price changes, Page 45; Details, Page 44; Share information service, Page 42-43

KEY MARKET MONITORS



STOCK MARKET INDICES			
	Sept 30	Previous	Year ago
NEW YORK			
DJ Industrials	1,328.63	1,320.79	1,206.71
DJ Transport	640.57	643.61	517.61
DJ Utilities	150.29	101.24	138.19
S&P Composite	182.08	181.30	166.10

LONDON			
	Sept 30	Previous	Year ago
FT-100	999.4	988.6	856.9
FT-All-share	1,290.0	1,280.7	1,140.3
FT-Air-share	623.24	622.37	591.27
FT-Auto	867.98	863.62	577.57
FT-Gold	297.7	301.9	568.6
FT-Long gilt	10.26	10.25	10.31

TOKYO			
	Sept 30	Previous	Year ago
Nikkei-Dow	12,700.11	12,538.71	10,649.2
Tokyo SE	1,028.10	1,010.30	824.86

AUSTRALIA			
	Sept 30	Previous	Year ago
All Ord.	987.0	980.5	739.2
Metals & Mins.	513.8	518.1	452.7

AUSTRIA			
	Sept 30	Previous	Year ago
Credit Aktien	100.45	99.79	55.32

BELGIUM			
	Sept 30	Previous	Year ago
Belgian SE	2,479.96	2,453.25	-

CANADA			
	Sept 30	Previous	Year ago
Toronto			
Metals & Mins	1,875.9	1,905.9	1,969.0
Composite	2,123.35	2,050.9	2,392.6
Montreal			
Portfolio	126.33	129.51	117.93

DENMARK			
	Sept 30	Previous	Year ago
SE	218.40	218.20	168.45

FRANCE			
	Sept 30	Previous	Year ago
CAC Gen	211.3	212.10	179.2
Ind. Tendance	118.7	119.7	118.7

WEST GERMANY			
	Sept 30	Previous	Year ago
FAZ-Aktien	532.00	523.11	364.89
Commerzbank	1,565.7	1,540.9	1,059.0

HONG KONG			
	Sept 30	Previous	Year ago
Hang Seng	closed	1,511.8	1,002.5

ITALY			
	Sept 30	Previous	Year ago
Banca Com.	405.12	402.13	214.8

NETHERLANDS			
	Sept 30	Previous	Year ago
ANP-CBS Gen	214.0	212.9	177.1
ANP-CBS Ind	188.8	166.9	137.1

NORWAY			
	Sept 30	Previous	Year ago
Oslø SE	364.40	362.78	258.54

SINGAPORE			
	Sept 30	Previous	Year ago
Straits Times	778.06	787.79	902.68

SOUTH AFRICA			
	Sept 30	Previous	Year ago
JSE Golds	-	1,087.9	995.2
JSE Industrials	-	888.1	858.1

SPAIN			
	Sept 30	Previous	Year ago
Madrid SE	111.55	109.44	148.11

SWEDEN			
	Sept 30	Previous	Year ago
J & P	1,373.47	1,378.21	1,455.78

SWITZERLAND			
	Sept 30	Previous	Year ago
Swiss Bank Ind	467.2	465.1	378.3

WORLD			
	Sept 27	Prev	Year ago
Capital Int'l	219.5	220.3	184.3

GOLD (per ounce)			
	Sept 30	Previous	Year ago
London	\$328.25	\$328.75	\$328.75
Zurich	\$328.65	\$328.75	\$328.75
Paris (fixing)	\$327.33	\$329.80	\$329.80
Luxembourg	\$326.60	\$328.00	\$328.00
New York (Dec)	\$327.10	\$328.40	\$328.40

COMMODITIES			
	Sept 30	Previous	Year ago
(London)			
Silver (spot fixing)	431.35p	430.70p	430.70p
Copper (cash)	£361.50	£362.00	£362.00
Coffee (Sept)	£1,630.00	£1,632.50	£1,632.50
Oil (spot Arabian Light)	\$27.90	\$27.90	\$27.90

J & P	1,373.47	1,378.21	1,455.79
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SWITZERLAND			